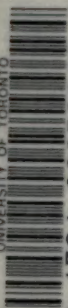
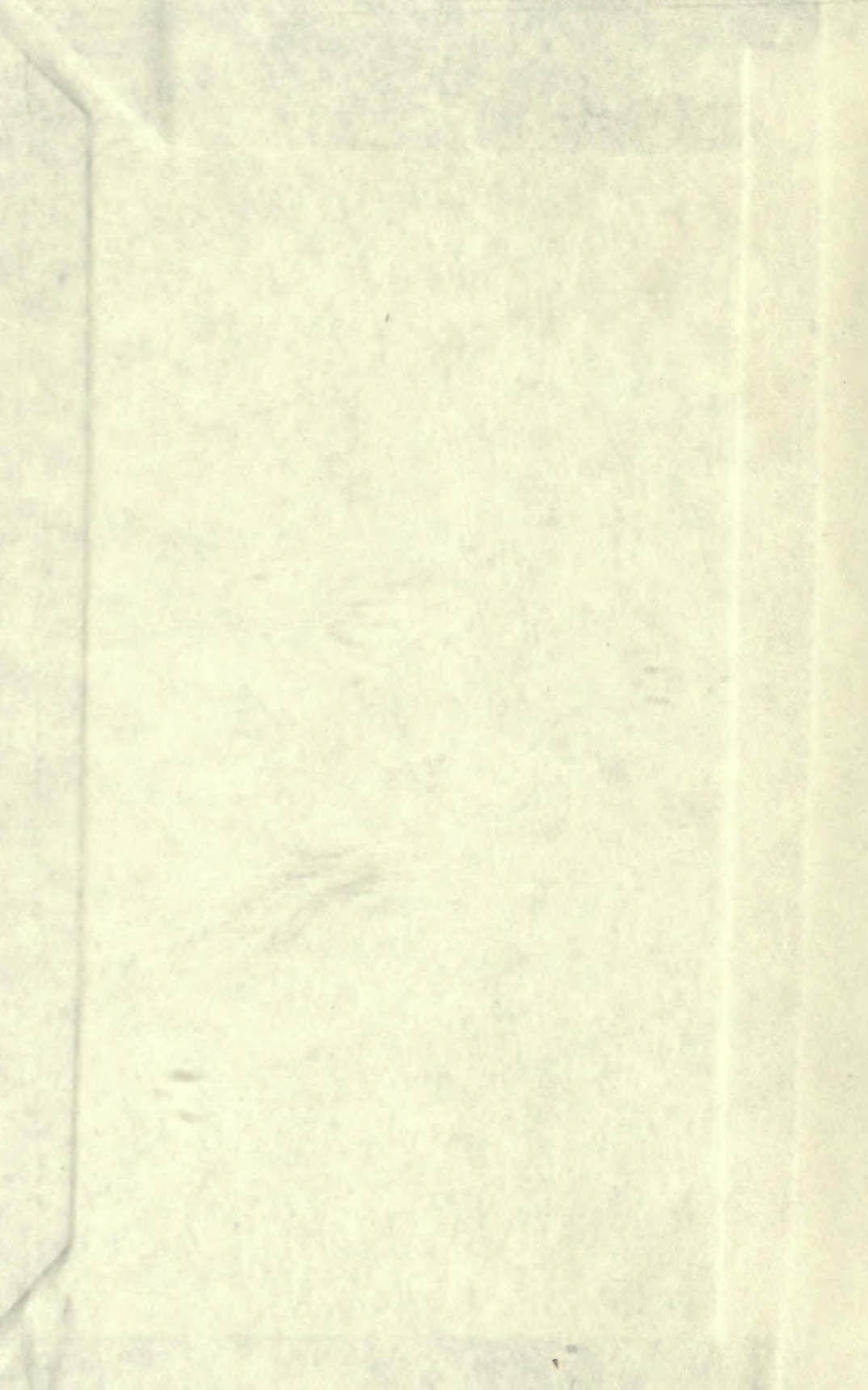


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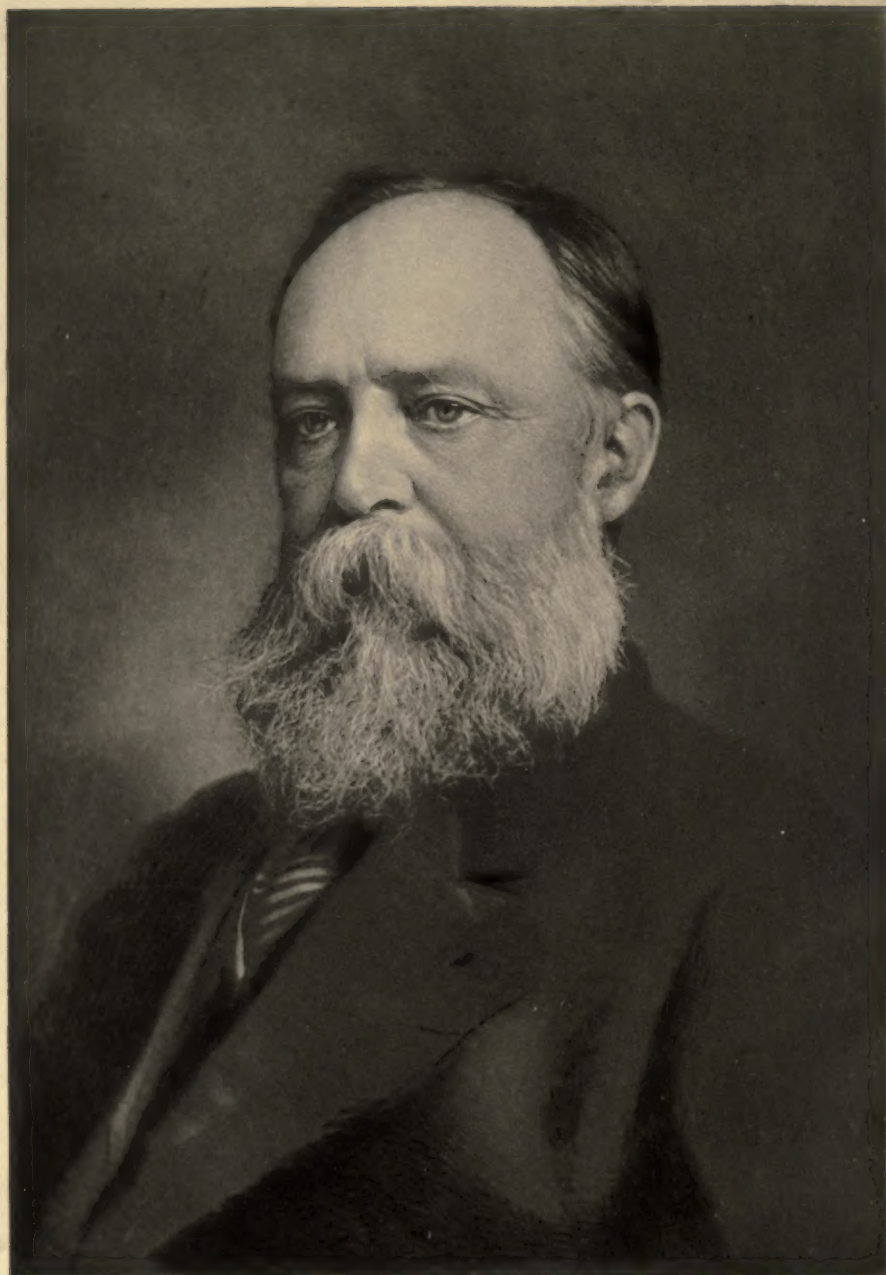


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SIR EDMUND WALKER, C.V.O., LL.D., D.C.L.
GENERAL MANAGER 1886-1907. PRESIDENT SINCE 1907.

A HISTORY
OF
THE CANADIAN BANK
OF COMMERCE

WITH AN ACCOUNT OF THE OTHER
BANKS WHICH NOW FORM PART
OF ITS ORGANIZATION

BY
VICTOR ROSS

VOLUME I



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PREFACE



THE suggestion that I undertake the preparation of a record sufficiently comprehensive to embrace the events surrounding the origin and history of the several banking units, some of ancient lineage, which in the half century since Confederation, came together to form the present Canadian Bank of Commerce, was first broached to me by my friend, the late Alexander Laird, then general manager of the bank. Although the task threatened to absorb the already scant leisure hours of a journalist's life, the prospect of studying our banking system from its primitive beginnings, and its part in building the nation which has come to a high place in the British commonwealth, was alluring. The commission—which I accepted—was very simple. Together with wide latitude as historian and commentator, it ensured me untrammelled liberty as to my appraisal of men and my interpretation of events, which guarantee has been scrupulously and faithfully observed.

I should have entered upon my work with less trepidation had I realized the volume of historical data that was to be opened to me in the bank's archives and through the efforts of its officers and friends, and the wise counsel of which I was able to avail myself at every turn. Indeed so much of the result belongs to others that this preface must needs be of as composite a nature as is the book itself, and it would be sadly incomplete did it withhold recognition of the assistance derived from the marvellous memory, and the profound understanding of almost every subject upon which the narrative touches, of Sir Edmund Walker, the president of the bank. The selection and preparation of the illustrations, which I feel must prove the chief attraction of these pages, and which have involved infinite patience and discernment, have been entirely his, and this has been only a part of his service. While he detached himself from the actual compilation of the history

in order that impartiality in dealing with the facts should be real, and that the story of an institution should not be dominated by a personality, to consult Sir Edmund has been a never-failing source of inspiration.

That the preparation of the book proceeded without interruption through the distractions of the war period, and that no obstacle was permitted to prevent the accumulation of information, however remote or obscure the source, was due to the administrative genius and tireless initiative of Sir John Aird, who has been the chief executive officer of the bank ever since the work was begun. There were few bodies upon whom the war problems made more incessant and exacting demands than the Canadian Bankers' Association, and while as a vice-president of that organization, Sir John, in addition to carrying on the affairs of the bank, assumed a great share of the burdens of our war finance in their diverse and constantly changing forms, his interest in the history never failed, nor was his invaluable assistance ever withheld.

To Dr. O. D. Skelton, professor of political science at Queen's University, must be given whatever credit is due for the authorship of chapters I, III, and V, dealing with Early Banking in Upper and Lower Canada, the Merchants Bank of Prince Edward Island and the Bank of British Columbia; and to Dr. C. W. Colby, professor of history at McGill University, for the authorship of chapter VI, Eastern Townships Bank. Dr. Colby was a director of the Eastern Townships Bank before its amalgamation, and is now a director of The Canadian Bank of Commerce,¹ and he is eminently qualified to deal with the history of the institution with which he was formerly connected. Mr. P. C. Stevenson, one of the members of the original expedition to the Klondyke in the spring of 1898, and now manager at Ottawa for The Canadian Bank of Commerce, has prepared the chapters in the second volume relating to the experiences of the bank in the far north, and Dr. Adam Shortt, C.M.G., has kindly undertaken the arduous task of

¹The word "The" is included in the legal title of the bank.

examining the charters of the various banks, and is the author of the chapter dealing with the historical development of banking legislation in what is now the Dominion of Canada. Dr. Shortt has also placed at our disposal his unique knowledge of early currency and banking in Canada for the solution of many knotty problems.

Upon Mr. A. St. L. Trigge, secretary of the bank, fell the responsibility of a general editorial supervision of the narrative, and the arduous task of verifying the facts upon which it rests. Not only was this work performed with great exactness and authority, but through Mr. Trigge's research and literary skill much essential contributory material was unearthed, which has added materially to the historical value of the book.

To many others acknowledgment is due, but more particularly to Mr. Frank R. Heartz of Charlottetown, formerly vice-president of the Merchants Bank of Prince Edward Island, for a most valuable memorandum on the history of that bank; to Mr. H. V. F. Jones, assistant general manager of The Canadian Bank of Commerce, for his careful and thorough examination of the minute books of the Bank of British Columbia; to Mr. A. G. Campbell, inspector, formerly on the staff of the Eastern Townships Bank, for similar work in connection with that bank; and to Mr. A. W. Laing of the head office, for the examination of the minute books of The Canadian Bank of Commerce, the Halifax Banking Company and the Merchants Bank of Prince Edward Island. Mr. L. A. S. Dack, assistant inspector, proved of the greatest assistance as a most painstaking investigator of old records, especially those of the province of Nova Scotia at Halifax, and those relating to the Gore Bank. Mr. H. O. E. Asman, the bank's librarian and archivist, furnished most of the statistics and diagrams used in the work. Thanks are also due to Mr. H. N. Wallace, formerly cashier of the Halifax Banking Company, particularly for information relating to the early days of that bank; and to Mr. V. C. Brown, superintendent of Central Western

branches, Winnipeg, for the communication of his valuable knowledge of the negotiations leading up to the taking over of the various banks by The Canadian Bank of Commerce.

Mr. Hector Charlesworth of Toronto gave generously of his time and wide knowledge of Canadian history to the work, and the many hours of arduous and fruitful scrutiny of records by the late Mr. H. M. P. Eckardt during the last year of his life are not forgotten.

In connection with the history of the Halifax Banking Company, valuable assistance has been given by Professor MacMechan of Dalhousie University, Mr. D. Macgillivray, superintendent of Maritime Province branches, Mr. D. G. Kennedy, assistant manager at Halifax, and by Mr. Thomas Foran, one of the oldest citizens of Halifax and a personal friend of the Hon. Enos Collins. To the Hon. G. H. Murray, Premier of Nova Scotia, and to Mr. H. Piers, curator of the provincial museum at Halifax, is due an acknowledgment of the courtesies extended to Mr. Dack during his investigations in that city. Mr. George Mullane and Mr. W. C. Milner of Halifax, the latter being the representative of the Dominion Archives in the Maritime Provinces, also took an active part in the investigation of old records in Halifax.

For the history of the Merchants Bank of Prince Edward Island we have been much indebted to the assistance afforded by Messrs. G. W. Harrison, manager at Charlottetown, and A. B. Warburton, M.P., of the same city. The Rt. Hon. Sir Louis Davies, K.C.M.G., Chief Justice of the Supreme Court of Canada and for many years president of the Merchants Bank, has kindly given us the benefit of his close association with the affairs of the bank during the greater portion of its career by reading the proofs of chapter III. Messrs. John H. Gates, Gideon Gaudet and L. Doucette, of Charlottetown, and Mr. P. M. Wickham of Montreal, have aided materially by supplying specimens for the study of early currency conditions in Prince Edward Island.

For the chapter on the Gore Bank, Mrs. E. A. Colquhoun, Barton Lodge, Hamilton, kindly furnished us with papers from the private files of her grandfather, Colonel J. M. Whyte, the first president of the Gore Bank. Mr. D. B. Dewar, manager at Hamilton, also obtained for us much interesting material, and Mr. E. M. Saunders, treasurer of the Canada Life Assurance Company, Toronto, very courteously placed at our disposal the information in the archives of the Assurance Company regarding the Hamilton and Gore District Savings Bank.

The history of the Bank of British Columbia has been enriched by the assistance given by a manuscript history of that bank in the possession of The Canadian Bank of Commerce, which was prepared by the late Frederick Townsend, formerly inspector of the Bank of British Columbia, and by the information obtained from Mr. Charles S. Jones, Ealing, London, England, the only survivor of the staff of the Bank of British Columbia in the Cariboo district during the gold rush of 1864-5, who has most kindly written for us a detailed account of his experiences at that time. Mr. John Grant, of Victoria, B.C., an old time resident of the Cariboo district, has also given us most interesting recollections of life in the Cariboo in the early sixties. Our acknowledgments are tendered to Messrs. H. J. Gardiner of London, England, a former director of the Bank of British Columbia and now a member of the London, England, Committee of The Canadian Bank of Commerce, H. H. Morris, superintendent of Pacific Coast branches, Vancouver, Robert Ward, Leatherhead, England, Walter Young, formerly assistant manager of the Bank of British Columbia, San Francisco, and G. W. B. Heathcote, manager of the San Francisco branch of The Canadian Bank of Commerce and formerly one of the staff of the Bank of British Columbia, for their valued assistance. To Mr. R. L. Reid, K.C., Vancouver, we are indebted for much information about the rare gold coinage of British Columbia.

In addition to the contributions of Dr. Colby and Mr. A. G. Campbell, to the history of the Eastern Townships Bank,

already mentioned, Mr. James Mackinnon, formerly general manager of that bank, Mr. E. L. Stewart Patterson, formerly assistant general manager, and Mr. Stephen Edgell, formerly Sherbrooke manager, have aided in the preparation of the chapter dealing with its history.

With these grateful acknowledgments I feel that since the treatment of the events related in this history and the opinions which it expresses are my own, I may subscribe myself as its author.

VICTOR ROSS.

January, 1920.

INTRODUCTION



F the reader considers the title of these volumes he may wonder why so much space has been devoted to the history of the currencies of old Canada, of Nova Scotia and of Prince Edward Island, and to early stages of banking in various districts of Canada—stages in which none of the banks whose history is here dealt with had a part. These volumes, however, have been written not merely in order to deal with the facts directly connected with the various banks, but also to describe the times and conditions which surrounded them, and the extent to which they aided in the development of Canada. For the same reason it seemed desirable that many, who do not realize the enormous share which the banks have had in the industrial history of our country, should be aided to do so by descriptions of times when our merchants had no such assistance from banks as they have now, but were dependent on the coinage of many other countries and on paper currency issued without regard to safe principles of finance.

The doors of The Canadian Bank of Commerce had been open a little more than fifty years on November 30, 1918. In the annual statement of the bank issued at that date the total assets were four hundred and forty millions, while the turnover of the bank for the year had been only slightly less than twenty-five billions of dollars.

The history of this notable accomplishment is, however, not covered by the half-century in question. It involves the history of five other banks which have been amalgamated with The Canadian Bank of Commerce. These banks were established in five different provinces, and the object of amalgamation in each case was to establish The Canadian Bank of Commerce as the leading, or one of the leading, banks in the particular province in question. Two of these

banks, one on the Atlantic and one on the Pacific, were the first created in their respective provinces; in Ontario the Gore Bank was the third bank chartered and the oldest among the survivors; while in Quebec, although the Eastern Townships Bank was not created in the early years of the province, it represented more completely than any other the Eastern Townships. Because of these facts the author has prefaced the history of the six banks with an introductory chapter regarding conditions in old Canada before and shortly after the granting of the first bank charter. Without this chapter the difficulties which surrounded banking in the early years of British North America could not be clearly understood.

The task of preparing the history of the six banks was entrusted to Mr. Victor Ross, a well-known writer on finance, the facts brought together by many officers of the bank being placed unreservedly in his hands.

It is hoped that the reader will not only find these volumes interesting as Canadian history, but that they will convince him that the banks of Canada are performing a service which is incalculably more valuable to the people than it is profitable to the shareholders, and that he will be glad to find that the humorous side of things is as often present in the apparently austere life of the banker as in that of any other member of society.

B. E. WALKER.

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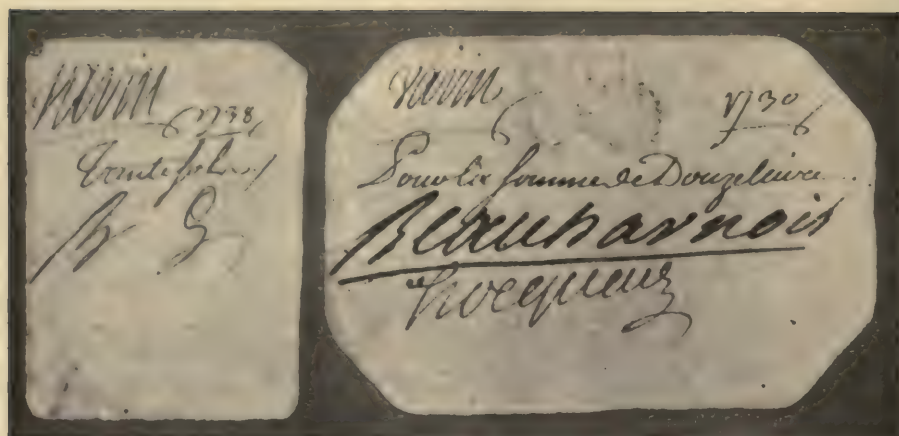
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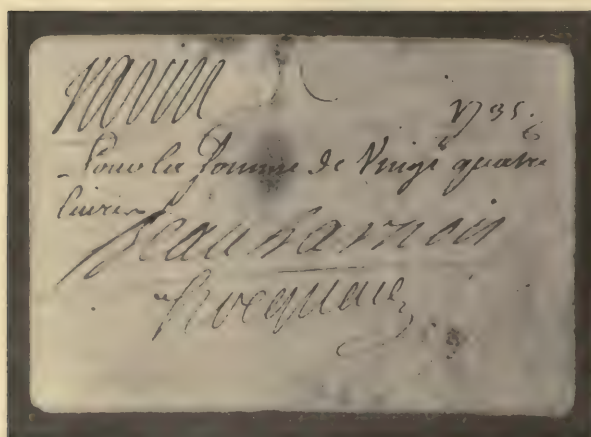
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30 SOLS

12 LIVRES



24 LIVRES

CARD MONEY OF NEW FRANCE

Signed or initialed by Charles, Marquis de Beauharnois, Governor 1726-1747, Gilles Hocquart, Intendant 1731-1748, and countersigned by Varin, doubtless Jean Victor Varin de la Mare, member of the Conseil Supérieur, 1733-1749. In possession of Sir Edmund Walker, Toronto.





A HISTORY
OF
THE CANADIAN BANK
OF COMMERCE

CHAPTER I.

EARLY BANKING IN UPPER AND LOWER CANADA

It was appropriate that The Canadian Bank of Commerce should attain its fiftieth anniversary in the same year as the Dominion of Canada. From the beginning the growth of the Bank has closely paralleled the growth of the nation. The Bank has advanced slowly when national progress halted, and grown rapidly in the years of swift westward expansion. Nor are its annals a mere reflection of the national development. It has itself taken a part in the upbuilding of the country, which to present-day shareholders and officers of the bank is no less a source of pride than an incentive to further endeavour. There is also this feature of analogy. Just as the history of the Dominion does not begin with 1867—which merely marks the time when the various provincial streams were turned into a single channel—so the history of the bank goes back to earlier times and far-scattered places—in Nova Scotia, in Prince Edward Island, in Lower Canada, in Upper Canada and in British Columbia—to the founding of banks, which at a later stage, united their forces with the institution that has given its name to the whole.

In the work of national development each and every Canadian chartered bank has had its special and distinctive share, great or small, as opportunity permitted. Over and above these special contributions, our banks have performed general services of the first importance. The Canada of today would be inconceivable without the railways, which have provided the physical means of carrying on trade and political activity over half a continent. Likewise it would be inconceivable without the banks, which have provided the mechanism of credit equally necessary to a highly developed and widely scattered community. They have provided a

safe, cheap and convenient medium of exchange. They have stimulated thrift. They have mobilized to full advantage the capital needed for developing the country's resources. They have provided the means of carrying on our foreign trade. They have aided the government in collecting and disbursing its revenues. They have helped to bind east and west. Yet in achieving these ends, they were not posing as philanthropists. What of national service was rendered was given as part of the day's work. In seeking their own ends, they advanced those of the nation.

Hence, before tracing the growth of the various banking enterprises which were eventually united in The Canadian Bank of Commerce, it will be well to review the early development of Canadian banking, noting particularly the origin of those provisions which give the Canadian system its distinct character.

It is now a hundred years since the first banks were established in Canada. Two centuries had passed since the first European settlers landed on our shores, and in Lower and Upper Canada and the three provinces by the sea nearly six hundred thousand people were to be found. Yet one has only to picture the pioneer colonists of that day to realize how infinitely less need they had for banks and banking facilities than six hundred thousand Canadians, even on the frontier of settlement, would have today. The people of the five provinces were almost wholly country-dwellers, and each farm and each little community was sufficient unto itself. The habitant cultivating with wooden plough the narrow ribbon of land he held from his seigneur, the settler clearing a little space in the bush of New Brunswick or Upper Canada, had little truck or trade with the outside world. He and his family grew for themselves the wheat, the corn and the potatoes, and raised the pigs and the cattle, that yielded their rude but substantial fare. They carded, dyed and spun the wool and wove the yarn into homespun and linsey-woolsey. They made their own candles

and soap and sugar and, sometimes with a neighbouring blacksmith's help, fashioned the rude tools they needed. They had little to offer for sale except a few bushels of wheat or barrels of potash for which huge log-heaps had been fired, and the few things they needed to buy were easily supplied by the little country-store or the Yankee pedlar with his pack of notions. Communication was slow and difficult. It was only in 1809 that John Molson had put the first steam-boat on Canadian waters, and George Stephenson's Travelling Engine or railway locomotive was still in the future. Roads were few and incredibly bad. In the same year that the first bank was established the public were informed that "a stage has commenced running from Kingston to York,¹ leaving Kingston every Monday morning at six o'clock, and York every Thursday morning same hour; persons wishing for a passage will call at Mr. Daniel Brown's Inn, Kingston, where the stage books will be kept. N.B. Stage fare, 18 dollars." A year earlier the first stage had begun to run between Montreal and Kingston; ten years later saw stage communication through to the River Detroit. There was not a daily newspaper in the five colonies. It cost 96 cents to send a letter from London by packet to Halifax and thence to Montreal, or \$1.24 to send it all the way to Amherstburg.

One function which in later years has been assigned mainly to the banks, that of advancing credit, was of necessity performed chiefly by the merchants. The large importers at Montreal granted long credits to the wholesaler at Kingston or Queenston or York; the wholesalers gave long terms to the local merchants and the merchants to their customers. Importers and wholesalers frequently acted as bankers for those who dealt with them, receiving deposits, and making payments to order.

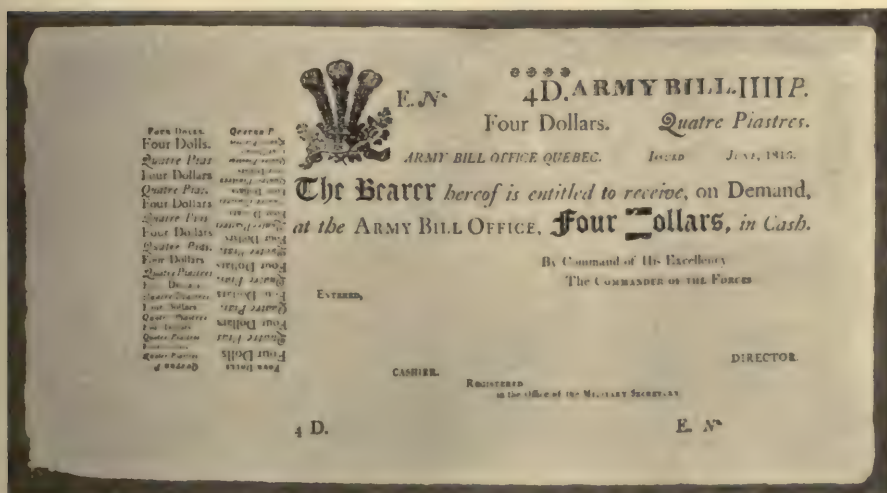
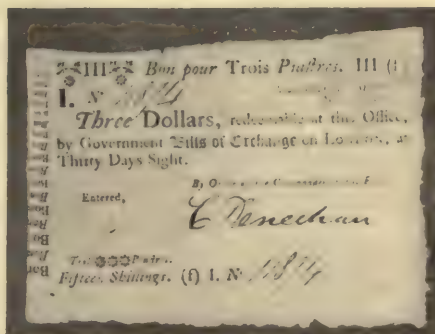
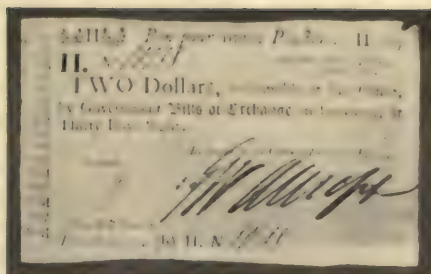
It is not surprising, then, that the business structure and the financial facilities of the country were correspondingly simple. Cheques and drafts, banks and clearing-houses,

¹Now Toronto.

trust companies and corporations, were not to be expected in the day of the flail and sickle. Retail trade was mainly carried on by barter and metallic currency was scarce and chaotic. Silver dollars, from the West Indies and South America, were the most common coins, but American dollars, British crowns and shillings, French crowns and pieces of twenty-four sous, and the rarer gold coins, Portuguese johannes, Spanish doubloons and British guineas, all were given official rating. As the imports constantly exceeded the exports, specie tended to leave the country as soon as it came in, a difficulty only partially met by overrating the coins. The standard of value was the Halifax currency,¹ a mere money of account with no corresponding coins. Before the Revolution the old colonies, eager to retain as large a share as possible of specie, had competed with one another in overrating the Spanish dollar, or "piece of eight,"² which was minted so freely from the silver mines of Spanish America. Its value in sterling money at the time of the conquest of Canada was only 4s. 6d., but in Massachusetts it was rated at 5s. currency and in New York at 7s. 6d. or 8s. Merchants and settlers coming to Canada brought one or the other of these standards with them. The Massachusetts standard was naturally followed in Nova Scotia, where it became known as Halifax currency, while in Montreal and later in Upper Canada the New York or York currency had full sway, and lingered in the popular phrase, "a York shilling," long after the Halifax currency had been adopted officially in the Canadas by ordinances and legislative Acts passed in 1777 and 1795. Except the notes of United States banks, which had begun to circulate in Canada after the war of 1812, the only paper currency consisted of merchants' due-bills or *bons*, or bills of exchange which were printed or engraved so that they might be used as currency. Yet under such conditions as these it was to be expected that men would turn to some form of paper currency. One difficulty barred the way—

¹See pp. 31 *et seq.*

²i.e., piece of eight.reals. See p. 32 and plate 23, facing p. 140.



ARMY BILLS

Nos. 1, 2 and 4 in possession of Sir Edmund Walker, Toronto.
No. 3 in possession of Lieut. Colonel William Wood, Quebec.

the memory of the disastrous experiments in paper money which the various colonial settlements in North America had witnessed in earlier years.

To New France had fallen the dubious honour of the first issue of paper currency on the continent. In 1685 the Intendant, De Meulles, being hard pressed for funds to pay the troops, cut playing cards in four, marked them good, some for four francs, some for fifteen sous, some for forty sous, and ordered the merchants to accept them at face value, promising to redeem them when supplies came from France in the spring. The promise was kept, and the card money served the purpose admirably. The same good faith was not shown in all the future issues made when deficits threatened. When the cards were not convertible into bills of exchange on France, no check existed on the amount that might pass into circulation, and so the paper steadily depreciated. After the Peace of Utrecht in 1713, a compromise was reached by which the French court redeemed the card money at half its face value, and the first stage of the experiment was brought to a close in 1721. Eight years later the popular demand for a local medium of exchange led to a new issue of card money.¹ So long as it was freely convertible into bills of exchange on France, and so long as these bills were honoured, this and later issues held public confidence. But when reckless and corrupt officials in the colony began to issue treasury notes or *ordonnances* in unlimited quantities, and later assimilated the card money to these notes, and when the bankrupt court of France began to delay and evade payment of the bills of exchange, all the paper currency once more fell rapidly in value. In 1760 General Murray estimated that in the little colony of sixty thousand people there was outstanding the preposterous sum of 80,000,000 livres in card money, treasury notes and unpaid bills of exchange. Of this only a very small fraction was ever redeemed.

¹See plate 2, facing p. 1.

From New France the contagion spread to New England. In 1690 the colony of Massachusetts sent forth an expedition under Sir William Phips to capture Quebec. The citadel and its lion-hearted commander, Frontenac, proved too much for the invaders, and the fleet and army returned to Boston beaten and bankrupt. It had been expected that the booty would meet the cost of the expedition, and when this hope faded it became necessary to find funds elsewhere. Several members of the legislature had been officers in Phips' forces, and had become familiar through escaped or exchanged prisoners with the recent experiment in card money. It was doubtless this experience which led the legislature in 1690 to authorize "the granting forth of printed bills . . . every of which bills according to the sums therein expressed, shall be of equal value with money." One needy colonial government after another followed this example, and soon the whole country from New Hampshire to Georgia was flooded with paper currency which steadily depreciated in value. In 1750 the paper money of Rhode Island was worth less than four per cent. of its face value. Massachusetts alone was strong and persistent enough to get back to a specie basis. The British Government at last, in 1763, prohibited the issue of more bills of credit except in war emergencies, a ruling bitterly resented by the advocates of a cheap and abundant currency, and not without influence in stirring up revolutionary sentiment. When the Revolution broke out, and the Continental Congress was hard put to find revenue, they turned once more to this device. "Do you think," argued one of the delegates in Congress, "that I will consent to load my constituents with taxes when we can send to our printer and get a wagon-load of money, one quire of which will pay for the whole?" The whole wagon-load was called for before the war was ended. By 1780 the Continental currency was worth one cent on the dollar in specie. Eventually about half was cancelled by issue of new bills at the rate of one to forty, and a few millions were taken at the rate of one to a

hundred. The balance was lost or used to plaster barbers' shops, and "not worth a Continental" passed into the nation's speech.

A sounder example soon came from the same quarter. One of the first tasks the United States faced after the achievement of independence was the provision of a safe and stable medium of exchange. The Continental and State bills of credit had disappeared from circulation. Specie was scarce and wholly lacking in stable value or uniformity. The new federal constitution had withheld from the federal Government the power "to emit bills of credit and make them legal tender in payment of debt." There was one safe and adequate solution—the issue of bank-notes backed by strong security. A few State banks, the Bank of North America in Philadelphia, the Bank of New York, and the Massachusetts Bank of Boston, had been established during the war and had done good service in providing a sound currency. Alexander Hamilton, however, the financier of President Washington's cabinet, considered that only a national bank could give the general circulation and the adequate security that disastrous experience had proved so necessary, and on his initiative the Bank of the United States was chartered in 1791, with a capital of \$10,000,000, of which the government subscribed one-fifth. The bank was admirably managed, and its notes, which were convertible on demand, were everywhere accepted as equivalent to specie.

The people of Canada at that time had little sympathy with the political ideals and ways of the revolted colonies, but similarity of conditions and interchange of population brought about a wide measure of assimilation in business practice. The year after the launching of the first Bank of the United States, two Montreal importing firms, in conjunction with a London house, announced their intention to establish in Montreal, with branches throughout both Lower and Upper Canada, a bank to be known as the Canada Banking Company, and designed to carry on all the customary business of

deposit, discount and issue. No attempt was made to secure a charter from the legislature; it was to be merely a private association. While a bank of deposit was set up, and a few notes were issued,¹ it soon disappeared, leaving scarcely a trace behind. The enterprise was premature, as the distrust of paper currency was too deep-rooted to be overcome so soon. When, in 1807, and again in 1808, citizens of Quebec and Montreal petitioned the legislature of Lower Canada for incorporation as the Bank of Canada, the legislators prudently declined. A similar petition from merchants of Kingston, in 1810, to obtain a charter for the Bank of Upper Canada, also failed to attain its purpose. In the United States itself, the champions of the State banks had succeeded, by a single vote in each House of Congress, in blocking the petition of the Bank of the United States for a renewal of its charter at the end of the twenty-year period, and the bank passed out of existence. In Canada the shadow of war was driving other questions out of men's minds for the moment, though one permanent result of the war was to be the removal of the last obstacles in the way of establishing chartered banks.

The war of 1812 involved large expenditures by the British Government in the purchase of supplies and the payment of troops. Usually these outlays would have been met by the sale of bills of exchange drawn on London. In face of the vast increase of business occasioned by the war and the small amount of specie available in the country, such sales would have had to be made on terms very unfavourable to the Government. It was not safe to attempt to send large amounts of specie to the colony, and in any event specie payment had been suspended in the United Kingdom itself. To meet this situation it was decided to issue army bills,² which were orders redeemable in government bills of exchange on London. They were issued at first in denominations of \$4,

¹See plate 4, facing p. 12.

²See plate 3, facing p. 4.

\$25, \$50, \$100 and \$400. Later, bills for \$1, \$2, \$8, \$10, \$12, \$16 and \$20 were added, and still later \$1, \$2, \$3, \$5 and \$10 were made the standard amounts for the small issues. Bills of \$25 and upwards were to bear interest, and were payable, at the option of the military authorities, in cash or in bills of exchange. The small bills, which bore no interest, were payable in cash on demand. The large and the small bills were made interchangeable. The first issue authorized was £250,000; this was afterwards increased by several stages to £1,500,000. Some difficulty was met in breaking down the habitant's rooted distrust of paper, and his insistence on immediate exchange of the bills for specie to be put away in his stocking, but eventually the army bills circulated more freely than the miscellaneous gold and silver currency. When the war ended, the amount of bills outstanding was £1,249,000, Halifax currency, of which about £800,000 was in the higher interest-bearing denominations. These bills were rapidly redeemed, the provinces meeting the interest charges and the British treasury the principal.

The army bills experiment, and the war orders and war financing in which it was an incident, had lasting effects on Canadian finance. The heavy cash demands for all sorts of produce gave a great stimulus to production. The plentiful supply of currency broke up the old system of barter. The bills, it is true, were a mere expedient of the treasury to solve pressing fiscal difficulties, but besides answering this original purpose, they did much more. The scrupulous good faith shown in their redemption sapped the old prejudice against paper money, and thus they served to provide, for the first time in Canada, a stable and effective medium of exchange. The careful administration of the issue and the public discussion of the operation showed that the fundamental importance of maintaining elasticity and soundness by ready convertibility had been appreciated. "The provision by which the public could exchange notes of large denominations bearing interest for notes of small denomina-

tions not bearing interest, ensured a sufficient amount of currency for the trade of the country; while on the other hand, the reverse condition, under which non-interest-bearing notes could be exchanged for interest-bearing notes, ensured the redemption of all currency not required for trade purposes by its conversion into what was practically an investment security."¹ Finally, the redemption of the army bills left the supply of specie more inadequate than ever to finance the country's trade, and made imperative some more permanent form of paper currency.

It is not surprising, therefore, that the first sessions of the provincial legislatures after the war had ended witnessed a revival of the movement to secure a bank charter. It met with favour, but as a result of disputes between governor and Assembly upon constitutional issues, the bill for incorporation was more than once elbowed out. Impatient at the delay, a group of leading merchants in Montreal determined to organize a bank under articles of association. In this way the Bank of Montreal—or, as it was first called, "The Montreal Bank"²—began its long and honoured history in June, 1817. In the following year Quebec merchants organized the Quebec Bank, and another group in Montreal, mainly American citizens, set up the Bank of Canada,³ in both cases without charters. Meanwhile the efforts to secure charters had been continued, and in 1822 Royal assent was finally given to Acts incorporating these three banks. In Upper Canada a bill to incorporate the Bank of Upper Canada had been passed, at the instance of Kingston merchants, in 1817, a year before the legislature of Lower Canada passed the Bank of Montreal bill, but an oversight in the Colonial Office prevented its being ratified in time, and that bank also was set up in 1818 as a private association.

The provisions of the articles of association of these

¹B. E. Walker, "*Banking in Canada*," in "*A History of Banking in All the Leading Nations*," (1896), III, 425.

²See plate 5, facing p. 16.

³See plate 4, facing p. 12.

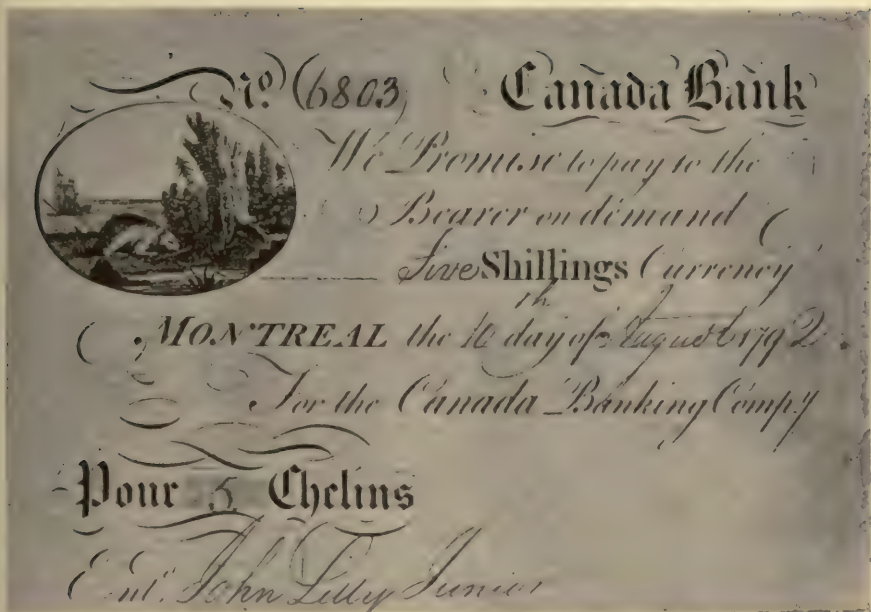
pioneer banks, later embodied in their charters with only slight changes, were practically the same in all cases. They fixed the capital at substantial sums—for the Bank of Montreal £250,000, for the Quebec Bank £150,000, for the Bank of Canada £300,000, for the private Bank of Upper Canada £125,000—amounts reduced later in some instances. The capital was to be paid in instalments of not more than ten per cent. each, to be called whenever the directors should decide, but within nine years at the longest. The directors were given the usual powers and obligations. The debts of the corporation, “whether by obligation, bond, bill or note,” were not to exceed thrice the amount of paid-up capital, over and above deposits, on penalty of the personal liability, joint and several, of the directors for any excess. The liability of shareholders was limited to the amount of their subscriptions. The voting power was arranged on a sliding scale, so that no shareholder could have more than twenty votes. The bank was given general corporate privileges, and empowered to issue promissory notes payable on demand in current specie, to deal in bills of exchange and in coin and bullion, to discount notes, and to receive deposits. Money was not to be lent on real estate, though mortgages could be taken by way of additional security. The provision in the early bills authorizing the opening of offices of discount and deposit elsewhere than at the domicile of the bank was not included in the first charters, but to do so was not forbidden, and contemporary discussion showed that the establishment of branches in both provinces was contemplated from the beginning. The Government reserved the right to call at any time for statements of the capital stock, debts, notes and cash on hand. The punishment of death without benefit of clergy was set for making plates to counterfeit the notes of the bank. The term of the articles of association was limited to twenty years; the term fixed by the charters was ten.

A survey of these provisions makes it clear, as Dr. Adam Shortt first demonstrated, that Alexander Hamilton’s experi-

ment in founding the first Bank of the United States had not only given a stimulus to similar action in the provinces, but had provided the model for the detailed constitution and working of the provincial banks. The charters and articles of association were repetitions of the bills introduced in the legislature of Lower Canada before the war of 1812, and were copied, in many clauses word for word, from the Act incorporating the first Bank of the United States. The provision in the first Canadian bills (not carried out in the charters actually issued in Lower Canada) for a government subscription, offset by a loan, and for government directors; the restriction of the debts to a definite multiple of the capital; the limitations placed upon loans on real estate; the sliding scale of voting; the exclusion of aliens from the directorate; the power to open branch offices—these and other characteristic features of the Canadian institutions were taken directly from Hamilton's Act.

This does not of course imply that it was Hamilton who had originated these provisions. Any institution that is built to last must be rooted in the past, be conditioned by its surroundings and should sum up the best experience of former days. Hamilton had clearly been influenced deeply by his study of English and Scottish banks and by his observation of the State banks already established in the United States. It was from the Bank of England that he took his idea of government participation and of the connection between the national debt and a bank's capital. The Bank of Scotland had begun in 1774 the policy of establishing branches which later became so marked a feature of the Scottish system, and though few branches were in existence in 1791, the principle had been laid down. Colonial experience had dictated other lessons. It was Hamilton's merit that after some early fumbling he saw clearly what the teaching of the past really was, and which of its lessons were applicable to local conditions.

While it is of interest to note the relation of these first



NOTE OF THE CANADA BANKING COMPANY, 1792

The first Canadian Bank Note.

In the collection of The Canadian Bank of Commerce.



NOTE OF THE BANK OF CANADA

In the collection of The Canadian Bank of Commerce.

steps in Canadian banking to earlier experiments, it is perhaps of greater interest to recall their relation to the Canadian system of the future. It will be seen that many of the essential features of our present-day system were already established. It had become the custom, though it was not yet obligatory, to seek incorporation by a special Act of the legislature. The charter was limited to a ten-year term. The capital stock was large, particularly in relation to the circumstances of the colonies. The establishment of branches was contemplated. No security other than the general assets was prescribed for the note issue. The regulations as to loans on real estate were substantially what they are today. On the other hand, no provision had yet been made for ensuring that an adequate capital had actually been paid in before business could be begun. The note issue was not limited to the amount of the capital stock. The liability of shareholders was no greater than in other joint-stock companies. No special safeguards had been set up against the manipulation of the bank's lending power in the interest of a few directors, or against lending money on the bank's own stock. Much had been done; much remained to be added by the men who came after.

The twenty years that elapsed between the granting of the first charters and the union of the two Canadas, witnessed much expansion in banking facilities and much improvement in banking methods. In great measure this progress was due to the initiative and self-interest of the banks themselves, but in many instances it required outside pressure from the local legislatures or the Colonial Office to effect the needed change.

From the very outset the banks of Lower Canada insisted upon prompt and frequent redemption of such notes of their competitors as came into their possession. Once a week these notes and other claims were presented for payment and counter-claims were offset, the balance being paid in specie. The self-interest of the various banks thus established a check against inflation and unsound banking that no legislation could

have provided. No more notes than the business of the country required could remain in circulation, and the knowledge that every week their solvency would be rigidly tested taught bankers caution from the beginning. The conservatism of the French-Canadian habitant, still a little distrustful of paper, worked in the same direction, hampering expansion somewhat, but making the expansion in the east sounder than in the more enterprising west.

From the beginning, again, the branch office was a marked feature in Canadian banking practice. The Bank of Canada immediately established an agency at Kingston, and the Bank of Montreal an office of discount and deposit at Quebec, and agencies at Kingston and York. No branches in the strict sense were established, since the bank's own notes were not accepted at par anywhere except at the head office. The establishments at outside centres were either agencies, for the purpose of making payments and collections, for the purchase of exchange, and for obtaining credit information, or offices of discount and deposit, which were branch banks in everything except the function of note issue. The banks were criticised for charging a commission for cashing their own notes at points other than the head office, where they were marked redeemable, but in view of the cost and danger of transmitting funds and the economy of concentrating the great bulk of the specie reserve in one centre, these criticisms were somewhat unreasonable.

The intimate connection with New York which has been a distinctive factor in the operations of our banks also began at an early stage. Transactions in exchange were the most profitable part of their business, and it was in fact the opportunities which the exchange situation presented that had attracted the United States promoters of the Bank of Canada. The Bank of Montreal, through an agent in New York, bought and sold sterling bills in that market and procured thence its chief supplies of specie.

The importance of note issues, as compared with deposits,

is shown in the returns made by the three banks of Lower Canada for 1824. In that year the paid-up capital stock of the three banks was £331,702, the debts due the banks were £529,363, the deposits £135,426, and the notes in circulation £167,498. At the same time cash in hand amounted to forty-five per cent. of deposits and circulation. Another feature not so desirable was the large proportion, over one-third in 1830, which loans made to or endorsed by directors bore to total advances. Considering, however, that the directors were the leading merchants of the colony, that all large discounts were determined by ballot at semi-weekly directors' meetings, and that no discounts were made without two good names on the paper, the practice was sound enough. With the growth of the business community this proportion steadily lessened.

The establishment of new banks, and the additional restrictions which these opportunities enabled the local legislatures or the Colonial Office to impose, may best be considered with reference to each province separately.

The growth of Lower Canada in population, in business activity and in the consequent demand for banking facilities, was marked, but steady, throughout this period. There was little of the feverish speculation that characterized the newer lands to the west. The fact, again, that the interests controlling the Bank of Montreal and the Quebec Bank were strongly entrenched in the Legislative Council and in the Executive Council, while the French-Canadian majority in the lower House was too absorbed in the constitutional struggle to be willing to advance financial measures urged by the English-speaking business community, effectually barred any rapid growth in the number of chartered banks. In 1841, when the union of the two provinces took place, Lower Canada had the same number of chartered banks as in 1822, and, in addition, one private bank.

In the early "twenties" the depression in the United States caused a rapid falling off in the business of the Bank of Canada.

It appears to have been managed honestly, but did not succeed in making a place for itself in the community. The Bank of Montreal, which had refused to accept its notes, took over the assets, and the bank was wound up with a large loss to the shareholders but none to the customers of the bank. Its place in Montreal was taken by the City Bank, which, after two years of effort, was granted a charter in 1833. In 1835, the banking firm of Viger, De Witt et Cie., otherwise known as La Banque du Peuple, began business in the same city as a co-partnership *en commandité*. There were twelve principal partners, who exercised full control and assumed joint and several responsibility for all debts, with an indefinite number of special partners or *commanditaires*, who took no share in the management, and assumed no liability beyond the amount of their subscriptions. This bank received no legislative privileges, but for many years carried on a successful business, based largely on the rising nationalist sentiment of the French-Canadian majority in the province.

When in 1830 and 1831, respectively, the Bank of Montreal and the Quebec Bank sought renewals of their charters, the legislature took advantage of the occasion to make some important amendments. A much more detailed statement, the form of which was based on a recent Massachusetts enactment, and which included a balance sheet, was required. No notes of smaller denomination than five shillings, or one dollar, were to be issued, and the total of notes for less than twenty-five shillings, or five dollars, was not to exceed one-fifth of the capital stock. The violation of either rule would involve the forfeiture of the charter. It was arranged also that the charters of all the banks, new or old, should expire at the same time, thus preparing the way for a general revision at stated intervals. The charter of the City Bank stipulated that the whole capital stock, £200,000, must be subscribed, and one-fifth paid in and "held by and in the actual possession of the corporation in gold and silver coin current in this province," before any note or bill could be issued.

The outbreak of the Rebellion of 1837 seriously disturbed banking operations. The charters of all three banks expired in 1837; the Quebec Bank and the City Bank secured a year's extension by Royal letters patent, while the Bank of Montreal reverted to the articles of association basis. Later, the Special Council¹ of the province granted extensions of the charters for short terms. Six months before the rebellion broke out, all banks suspended specie payment, without any official authorization, and did not resume for a year; again in November, 1838, when the second rising occurred, suspension was resorted to for seven months, but this time on the authority of the council. It was found necessary to accept choice commercial paper instead of specie for the payment of the balances due in the weekly settlements, but the removal of the check imposed on fraudulent schemes by the practice of constant redemption led to the springing up in Lower Canada of a number of fly-by-night banks, which were not to be found at their alleged head offices but were extremely active in the newly-settled States bordering on Lake Erie. With the resumption of specie payment their activities ended.

The banking annals of Upper Canada were much fuller and much more chequered. The province had enjoyed a rapid expansion in population and in prosperity. The first great emigration movement had begun in the United Kingdom shortly after the ending of the Napoleonic wars, and tens of thousands of the newcomers had poured into Upper Canada. Idle lands were sold, towns grew, trade quickened and fortunes were made. The pioneer banks aided in the development, but do what they would, they could not expand their credits as fast as the public desired, and many competitors sought to enter the field.

The first Upper Canada bank to begin business, it has been seen, was the private institution established by Kingston

¹The governing body appointed in Lower Canada, in consequence of the rebellion and political crisis of 1837, under the authority of the Imperial Act, 1 and 2 Victoria, c. ix.

merchants in 1819, and known by its rivals as the 'pretended' Bank of Upper Canada. The founders had sought a charter, but residents of Little York (as Toronto was then known), high in the councils of the inner circle known later as the Family Compact, had calmly appropriated the bill and secured incorporation for themselves under the name of the Bank of Upper Canada. The Kingston petitioners were given as a consolation prize a charter for the Bank of Kingston, stripped of the promise of government aid contained in the other charter. They proved unable to raise the £20,000 which was required to be paid in before business could begin, and the charter lapsed. The private bank, however, controlled to some extent by the same interests, continued for a time only too actively. Notes were issued lavishly. Two directors borrowed an amount equal to the whole paid-up capital, and others used the bank's funds to shave private notes at double rates. Funds were locked up in thinly-disguised real estate speculation. Quarrels led to a run on the bank, followed by suspension in September, 1822. A long and costly liquidation used up almost all the remaining assets. The notes yielded something more than fifty cents on the dollar, but the stockholders lost everything. Upper Canada had had a first lesson in reckless banking, and, to give it due credit, profited by the experience.

The chartered Bank of Upper Canada was longer getting under way. It secured its charter in 1821, the more important variations from the Lower Canada charters being the express authority to establish branches, the prohibition of issues of notes under five shillings, the obligation to cease operations if specie payment was suspended, the provision for a sworn annual return, and the stipulation that £50,000 of the £200,000 capital was to be subscribed and £20,000 paid up in specie before the bank could begin business. These requirements proved too severe, and a year later were cut in two; even so it is said that it was only by appropriating money from the military chest that the £10,000 was made up and the

bank got under way in 1822.¹ These early troubles, however, were soon ended. The province had taken one-fourth of the eight thousand shares, and government favour threw much business in its way. In 1831, with £100,000 of capital paid in, and only £33,000 in deposits, it had discounts of £260,000 and notes outstanding to the amount of £187,000. Dividends of eight per cent. were paid, with occasional bonuses, and when additional stock was offered that year, it was three times over-subscribed in a single day.

The evident prosperity of the Bank of Upper Canada stimulated investors to set up rival banks. The unlimited demands from speculators for further accommodation told in the same direction. The favouritism shown by the bank officials to members of the ruling clique led to political pressure to end the monopoly. Yet the Family Compact was so firmly entrenched in the Executive and the Legislative Council that it was almost impossible to secure incorporation. It was only after repeated efforts that the Commercial Bank of the Midland District, with headquarters at Kingston, obtained its charter in 1831, as the result of a bargain whereby the Assembly agreed to pass a bill increasing the older bank's capital. Four years later, the Gore Bank, of Hamilton, which was to amalgamate with The Canadian Bank of Commerce after many years of service, secured a charter, with a capital set at £100,000.

Midway between these two incorporations the British authorities took a hand in regulating the banking affairs of the colonies. The Colonial Office had just endeavoured, without much success, to put the currency of the provinces on a sterling basis. Its attempts to regulate the banking system were better advised and more successful. As a result of widespread discussion in England on currency matters, the Committee of the Privy Council for Trade drew up a set of

¹George Hague, *Journal of the Canadian Bankers' Association*, II, 371.

rules to apply to colonial bank charters. As revised in October, 1833, these included:

1. Forfeiture of a bank charter for a sixty-day suspension of specie payments.
2. Notes to be dated at place of issue, and to be payable in specie there and at the head office, though not at other branches.
3. One-half the capital stock to be paid in advance of commencing business.
4. Directors' discounts or endorsements not to exceed one-third the total discounts.
5. The bank not to hold or lend on its own stock.
6. Half-yearly statements to be furnished to the government and duly published.
7. The shareholders to incur double liability.
8. The bank not to lend on land or other property not easily realizable.

The announcement of these rules, and the threat to disallow the Act incorporating the Commercial Bank, which had already begun business, led to an outburst of criticism. It was urged that some of the rules were already applied in practice; others, such as the first two and especially the seventh, were held to be so severe as to make it impossible to establish a new bank, or to operate it profitably when once established. So far as the existing banks were concerned, the matter was not pressed. In the charter of the Gore Bank, however, the second, fifth, seventh and eighth of the regulations were included, and this bank became the first in the Canadas to offer the public the additional security of the double liability of shareholders.¹ Another new provision was a clause designed to prevent monopoly, prohibiting incorporated companies from holding stock in the Gore Bank except when received in satisfaction of old debts, in which case the stock was to carry no voting power.

¹R. M. Breckenridge, Ph.D., *The Canadian Banking System, 1817-1890* (Publications of the American Economic Association, Vol. X), p. 71. "In the Canadas" is said advisedly, because the charter of the Bank of Nova Scotia, granted by the Nova Scotia legislature in 1832, contained a similar stipulation. See pp. 67 and 176.

No other chartered banks came into existence before the Union, but the demand for more banking accommodation was not to be satisfied by the addition of merely two banks. The example of the western States, where immigration and land speculation were proceeding much more feverishly than even in Upper Canada, could not but have its effect. In the United States the number of banks grew from 329 in 1829 to 788 in 1837, with a proportionate increase of capital and a very much more than proportionate increase of note issues and of loans. Unable to secure charters, the promoters of Canadian banks were compelled to organize as ordinary joint stock companies, though this meant a decided loss in prestige, and inability to sue in a corporate capacity. Two retired English officers, George Truscott and J. C. Green, organized the Agricultural Bank in this way in 1834. It is of some historical interest as being the first bank in Canada to allow interest on deposits. The risky policy it followed soon led the other banks to declare war upon it. They gathered in its notes and pressed for their redemption, and thus soon drained away its specie and brought about its collapse. When Truscott and Green left the country, they left behind £7,000 of assets to meet claims of £18,000 from depositors and of £20,000 from note-holders. Captain Truscott had also shared in organizing the Farmers' Bank in 1835 which, however, had a somewhat longer life. The Niagara Suspension Bridge Bank, organized in 1836, with branches at Chippewa and Lockport, New York, had to cease operations after 1841. The People's Bank, organized in Toronto in 1835 by a group of men in sympathy with the Reform party, was a much sounder institution. Its manager, Francis Hincks,¹ later Premier of the province and Finance Minister of the Dominion, was an abler banker than most of his contemporaries, and his bank was the only one in Canada which was not forced to suspend specie payment in the crisis that soon burst upon the continent. It was, however,

¹Later Sir Francis Hincks, K.C.M.G.

weakened by the share taken by the extreme wing of the Reformers in the Rebellion, and was sold in 1838 to the Bank of Montreal.

Of more lasting importance was another joint stock bank which began business in 1836, the Bank of British North America.¹ It was organized in Great Britain, but secured from each province authority to carry on all kinds of banking business and the power to sue and be sued in the name of an officer domiciled in the province. Within a year it had opened branches in Toronto, Montreal, Quebec, St. John, Halifax, and St. John's, Newfoundland. In 1840 it received a Royal charter, with the requirement of double liability omitted. Meanwhile the legislature of Upper Canada, at last stirred out of its cautious attitude, passed bills chartering new banks and increasing the capital of the old ones, which would have increased the total capital of the chartered banks from £500,000 to £4,500,000 and the note-issuing power from £1,500,000 to £13,500,000. Fortunately, in accordance with new instructions from Downing Street, assent to these bills had been reserved, and before the bills were returned to Canada for reconsideration a reaction had set in.

The year 1837 shares with 1857 the blackest pages in the earlier history of American finance. Land values, credit facilities and loans, had increased preposterously beyond the development of production. The depression of 1836 in England spread to America and the speculative structure collapsed. In one year six hundred and eighteen banks failed. State repudiation followed private bankruptcy. Upper Canada reflected the disaster, and soon civil war was added to its troubles. The note circulation of the banks was at its height, and a run would soon have exhausted their supply of specie. The Government was unwilling to permit the banks to suspend specie payments, even when the banks of Lower Canada had set the example. A curious situation followed. The Bank of Upper Canada, unwilling to issue further notes

¹Absorbed in 1918 by the Bank of Montreal.

of its own and thus increase the demand on its specie, brought in and issued large quantities of the notes of the Bank of Montreal, which had suspended payment in specie. This convinced the business public that suspension of payments would enable a bank to avoid undue restriction of credits in a crisis, and pressure was therefore brought to bear on the Government, which soon gave way. The Commercial Bank led the way by suspending payment in specie in September, 1837, but the Bank of Upper Canada and the Gore Bank held out until March, 1838. Specie payments were resumed by the three chartered banks on November 1, 1839.

In spite of the severity of the financial crisis and the political uncertainty, not one of the chartered banks succumbed. Most of them were crippled for some years, particularly those in Upper Canada, which had been rather too prone to lend upon accommodation paper, or on real estate under a thin disguise. Compared with the banks to the south, they were indeed fortunate. The crisis, while revealing many weaknesses in administration, proved the essential soundness of the system under which the banks had been operated.

In Lower Canada, the Bank of Montreal, the Quebec Bank, the City Bank, and La Banque du Peuple, and in Upper Canada, the Bank of Upper Canada, the Commercial Bank of the Midland District and the Gore Bank, along with the People's Bank, the Farmers' Bank and the Bank of British North America, were the institutions in operation in 1841, when the two provinces were united.



CHAPTER II.

THE HALIFAX BANKING COMPANY

Following a clue which leads back from The Canadian Bank of Commerce through the laybrinth of the past, we come to the age-mellowed interior of an ancient warehouse¹ on the water's edge at Halifax. Built of stone in 1812, at the time when the young American republic was joining Bonaparte in the war against Britain, its massive walls, fronting on Water Street and extending to the harbour, proclaimed to the little world of Halifax the substantial wealth and commercial prestige of its builder. Moreover, its ample wharves and facilities for sea trade made this building a fitting monument to the owner, who had laid the foundations of his fortune on the decks of a privateer in those lucrative enterprises under letters of marque, which brought adventure and wealth to the loyal and hardy population of Nova Scotia during the French wars and the revolt of the Thirteen Colonies. Not twenty years before, when Citizen Genet was seeking to enlist the United States as an ally of republican France, Enos Collins, a scion of the New England colony at Liverpool, N.S., had taken an active part in the summary and effective reprisals inflicted upon the French vessels which dashed out of American ports, to burn Nova Scotia merchantmen and to send their crews into servitude. His grandfather, Joseph Collins, had come to Liverpool, N.S., about 1761, bringing with him his son, Hallet Collins, who was born in Massachusetts Bay in 1749, and was one of a family of seven boys. Hallet Collins' first wife, Rhoda Peck, daughter of Daniel and Rhoda Peck, died in 1788, leaving twelve children. He was three times married, and was the father of over twenty

¹See plate 10, facing p. 52.

children. Enos was the eldest son of Rhoda Peck, and was born at Liverpool on September 5, 1774. He remained a bachelor until middle age, marrying Margaret, daughter of Sir Brenton Halliburton, Chief Justice of Nova Scotia, on June 28, 1825. The ceremony was performed at St. Paul's Church, Halifax, by the Rev. Dr. Willis. He was at the time of the war with France first lieutenant of a Liverpool, N.S., privateer and shared in the rich booty which fell to it. His ship (the "Charles Mary Wentworth," named after the son of Nova Scotia's Lieutenant-Governor), in her first essay at privateering, fought a stout Spanish brig for an hour, and forcing her to haul down her flag, took her and three other Spanish prizes in triumph into Halifax harbour. Now, as an older man, in his great stone warehouse on the busy waterfront, Collins was no longer an active participant in these stirring expeditions, but the financier and manager of them. Not only in the Maritime Provinces but throughout all New England, he was looked upon as one of the great capitalists of the time. At his docks privateers were fitted out, and cleared for their sanguinary voyages along the Atlantic coast and the Spanish Main, and into his warehouse came the spoils of their rich prizes—brandy and silk and spices. Alongside these were stored rum and sugar from the Nova Scotia schooners plying in the West Indian trade, enabled by the vigilant British navy to elude the enemy war vessels, and stores and munitions brought by British packets for the Halifax garrison and fleet. In 1814 no less than eighteen prizes of war taken on the high seas, in which Collins and his partner, Joseph Allison, were interested, were advertised for sale at one time. Indeed most of the war activities of the province and most of its merchant shipping were connected with the building which was a few years later to be the birthplace of its first bank.

During the long struggle between Britain and France, war and business had become so closely intermingled in Nova Scotia, owing to the generous expenditures upon the naval and

military establishments, that the profits of shipping, and especially of privateering, were increased to an extent which was not realized until the artificial stimulus disappeared. Great Britain's unbroken domination of the seas had contributed much to the prosperity of Nova Scotia. It had encouraged a marvellous era of lumbering and shipbuilding which, while richly profitable, flourished at the expense of other productive activities, particularly those of agriculture. The first-growth oak, hard pine and birch from the American colonies, gave England the wooden walls which saved her in her long and desperate struggle with the despotic seeker after world domination of that day. For more than a century—from 1761 to 1874—the demand for ships built in Nova Scotia could scarcely be met, and under the stimulus of the wastage of bottoms caused by the great war, and of the bounty of ten shillings per ton granted by the legislature in 1785 on province vessels measuring over forty tons, the industry grew until ships from the yards of Pictou, Windsor, Yarmouth, and Liverpool were sailing every sea. For almost all that hundred years, shipbuilding constituted the one outstanding and robust industry of the province, and there was little business which did not depend upon it. Ordinary export trade was almost negligible and the commerce of the province thus rested upon an insecure basis, while its financial machinery was complicated by the diverse and uncertain character of the current circulating media, not only in the Atlantic colonies but in the Canadas.

From the time of the establishment of British rule in Halifax in 1749, the provision of a currency that would satisfy the requirements of the local community, and at the same time retain a reasonable proportion of its value elsewhere, was as difficult a problem for the Hon. Edward Cornwallis and his successors in Nova Scotia as it had been for the Intendants of the Old Régime in Canada. Wampum and beaver skins were retained as standards of value well into the latter half of the eighteenth century, and articles of trade constituted a

legal currency for many years thereafter. To the governors of the American colonies the framing of regulations for interchanging their respective monetary issues, for preventing the mutilation of coins and the counterfeiting of notes, and for retaining such foreign metallic currency as came into their domains, proved an ever-present and vexatious task. Nova Scotia found it especially desirable to keep its fiscal policy in harmony with that of Massachusetts, as the trade connections between Halifax and Boston were more than ordinarily close, and the social relations uniting the two provinces were so intimate that, when the leaders of the revolution of the Thirteen Colonies later forced them apart, it proved a bitter wrench to both. As early as 1730, an order-in-council had been issued at Annapolis, at that time the seat of government in Nova Scotia, rating the value of French silver at eight shillings an ounce in New England currency and declaring the province bills of New England to be current and a legal tender. Twelve years later at the same council, with His Excellency General Richard Phillipps, and Lieutenant-Governor Cosby, President, sitting at the head of the table, it was voted and agreed, "*nemine contradicente*, that all French as well as other ffororeign silver money that now is or may be brought into this Province should pass as bullion equivalent to ye value it bears in Boston and that ye Province Bills of New England should be a proper tender of Payment within this Province, and that his Excellency Issue out his Proclamation to that effect."

This bid for a reciprocal arrangement appears to have been successful for a time, but during his brief tenure of office as Governor of Nova Scotia, Cornwallis found the basis of exchange of the provincial currencies a subject of much political and commercial controversy among the British colonies. Exasperated by the treachery of the Indians, who forgot their friendly protestations to him on his arrival and cruelly murdered some of his people, he appealed to Lieutenant-Governor Spencer Phips of Massachusetts for support in

a policy of extermination of the enemy. In the reply of Governor Phips, a paragraph is devoted to the effect upon intercourse with the neighbouring colonies of the attempt made by Massachusetts to replace its paper money by specie. "Many are dissatisfied," he wrote, "with the present remarkable decay of trade, which is supposed to arise from the breaking off our correspondence in a great measure with our neighbouring colonies, by interdicting the passing of their bills among us, and their receiving our silver in exchange for the Massachusetts bills in their hands, for we are now gotten within a few weeks of the very crisis of this great affair, when by law, bills of credit are no longer to pass among us."¹

In his valuable work on the history of Massachusetts currency, from which the extract above is taken, Mr. Felt quotes from the records the following passage, indicating the opposition to a proposed measure for excluding issues of other colonies, and its final success on July 14, 1772:

"While there is a strong inclination on the part of many to take the paper money of New Hampshire, Rhode Island and Connecticut, which was as strongly forbidden by renewal laws, the bills of Nova Scotia, New York and New Jersey had circulated considerably in Massachusetts. To prevent this, so far as the partial fences of legislation could, a motion is made by the Council for an Act, but being sent down to the House, it is at first there rejected. Again proposed, it succeeds and receives the sanction of Governor Hutchinson. Thus passed, it furnishes us with the succeeding extract: 'Whereas, the bills of the Governments of New York, New Jersey and Nova Scotia, have long since obtained a currency in some parts of this Government, and whereas the Government of New York have, the last year, emitted the sum of £120,000 which are in no way a tender, saving in the Treasury of said Province, and already begin to depreciate among themselves; and as many of the bills of the said last emission as well as the bills of former emissions of the aforesaid

¹Joseph B. Felt, *An Historical Account of Massachusetts Currency*, 1839, p. 130.

Government are counterfeited, by which many persons are already sufferers, and more liable to be so, and as all paper bills are liable to depreciate,' none are to receive or pay such currency after the first day of next November, on penalty."¹

In 1775 the suggestion of the Committee of Safety that the bills of other colonies should be made a tender in all payments, came before the provincial congress of Massachusetts and that body resolved that the paper of Rhode Island should pass at six shillings and nine pence for an ounce of silver and that of the other colonies, except Nova Scotia and Canada, at six shillings and eight pence an ounce. The congress also ordered that whoever refused to take these notes without exacting some discount should be deemed "an enemy to his country."²

This was the year when rebellion was rampant along the whole Atlantic seaboard from Florida to Maine, and when the leaders of the Thirteen Colonies, having succeeded in embroiling Massachusetts, were endeavouring to win over to their side their two most northerly neighbours. In spite of the discount, the consideration shown to the currency of Nova Scotia and Canada may have been part of the means adopted to induce those colonies to support the rebellion; but although Montreal was in the hands of a revolutionary force, and the British Governor was besieged at Quebec, Nova Scotia remained steadfast to the British Crown, although her trade interests seemed to dictate the other course.

The complications produced by the nondescript and changing currency, which had always hampered the progress of the colonies, were not the primary reason which led some of the earliest British administrations in Nova Scotia to attempt to remedy the situation by the issue of government bills. The inauguration of this policy was hardly a matter of choice, for the first issue of treasury warrants, which was made in

¹Felt, *Historical Account of Massachusetts Currency*, p. 160.

²*Provincial Congress Journal*, as quoted by Felt on page 165 of his book referred to above.

1761, just twelve years after the foundation of Halifax, sought to raise £850 for the alleviation of poverty and distress, not alone in the outlying settlements but in Halifax itself. This and subsequent issues up till 1813 bore interest at six per cent., but the scarcity of money made the public response so uncertain that the Act of 1762 authorizing an issue of £4,500 contained the proviso that, if the amount were not obtainable in cash, the Government would accept bounty bills and accounts against itself in payment of subscriptions. Subsequent Acts contained the same proviso. These early issues, while contributing materially to the development of the country and making possible many improvements, failed to meet the need for a circulating medium, for they contained no bills of a lower denomination than £5; and, a little later, in 1764, the first two issues were taken up by a new one with denominations as low as 20 shillings. In 1812 treasury bills were made a legal tender for the payment of impost and excise duties. It was not until 1813 that any provision was made for funding the provincial indebtedness. In that year, during the progress of the war with the United States, when coin was particularly scarce and corporations and private individuals were forced to issue their own notes for circulation, the Government, in offering for subscription £20,000 of treasury bills for the redemption of previous issues and to provide new funds, undertook to pay off the issue in gold or silver three years after date, "out of any monies then in the Treasury, not otherwise specially appropriated."¹ The interest-bearing feature was dropped in the notes intended for circulation, but in the event of the Government being unable to redeem amounts of £100 and upwards in gold or silver on demand on certain specified dates in each year, the notes might be funded into interest-bearing certificates of indebtedness.²

The currency, of which these provincial bills and the

¹5 Geo. III, N.S., 1813, c. xv, s. 11.

²See Appendix I, p. 416.

notes issued for circulation by the merchants constituted the larger part, was insufficient for the business of the colony, but it did not lack variety, which, indeed, proved a stumbling block to trade. Through the forging of these primitive instruments of finance, and the frequent inability of the private issuers to redeem their own obligations, large losses were occasioned to individuals. The early settlers in Nova Scotia carried with them to America British customs and traditions, and kept their ledgers in pounds, shillings and pence, even though these terms represented values quite different from those of British sterling and so did not correspond to any existing coins. An Act of 1758, besides fixing the rate at which British coins should be valued, prohibited the circulation of any copper coins except such as were in use in Great Britain and Ireland, but during the early years of the century, the English law forbade the exportation of coin of the realm. In spite of the scarcity of this kind of money, the Nova Scotian merchants, with a facility born of necessity, reached a common agreement as to the values of the different pieces with which they were forced to carry on business. The most familiar coins, from the time of the occupation of the country by the British Government until well into the nineteenth century, were of foreign origin—Spanish, French and Portuguese, in addition to some scattered British coins, these last rarely imported except in the pockets of Government officials, military officers, or other new arrivals from the mother country. Trade with Spanish possessions had early brought the Spanish dollar (or “piece of eight” reals)¹

¹Also known as the *peso duro* (hard dollar). It is said that up to 1728 four types of this dollar were commonly known, denominated Seville, Mexico, Pillar and Peru. The first two and the last-mentioned derived their names from the place of their coinage. The pillar dollar was so called from the supporters of the arms of Spain on the reverse of the coin, which are two pillars, said to represent the Pillars of Hercules, or the hills on the opposite sides of the Straits of Gibraltar. The Malays and the Arabs of North Africa call these coins “cannon dollars,” because of the resemblance of the pillars to cannon. There was also a variety known as the “globe dollar,” coined in Spanish America after 1728, which bore the additional device of two globes resting on the waves between the pillars. In 1772 a great recoinage was carried out, the fineness of the silver being reduced, though the gross weight of the coin remained

after Coins of Herndon
 in Tangle

Province of Nova Scotia
Treasurer's Office

200

By a Law of this PROVINCE the Bearer of this
Note is entitled to receive at the TREASURY the sum of TWO HUNDRED SHILLINGS
with Interest at the rate of six per cent per annum from the day
it issued by the Treasurer.

Dated at HALIFAX the 11 day of
September one thousand eight
hundred & twelve

Signed the Day of

One Province of Nova Scotia
By Law. The Bearer hereof is entitled
to receive at the Treasury TWENTY SHILLINGS.

Dated at Halifax the day of April,
one thousand eight hundred & thirteen

TREASURY NOTES OF THE PROVINCE OF NOVA SCOTIA

From impressions in the collection of The Canadian Bank of Commerce from plates
owned by the Province.

to the whole North American mainland,¹ and in spite of legislative efforts to introduce British small change, the dollar was never ousted. This coin, always one of the most important units of the circulation of the province, received a more definite status, and a fixed value in sterling, when the British Government imported large quantities and paid them out in settlement of all public accounts, both military and civil, at the rate of 4s. 6d. sterling each. The change in the currency value of the Spanish dollar from 4s. 6d. to 5s., is thought by

unaltered. These coins all bear the pillar device, and hence the name "pillar dollar" came to be applied generally to the Spanish or Spanish-American dollars. The bullion value of the coins struck in 1772, and up to 1848, corresponded very closely to that of the earliest dollars of the United States. Chalmers says: "The monetary model adopted by the United States in 1785 was the silver Spanish dollar with which they were familiar. But for the weight of their new coin, they took, not the full standard of Spanish dollars, but the average of coins in circulation. Hence the new dollar of the United States was made to contain only 375.64 grains of fine silver, or less by about two grains than a Spanish dollar of full weight. In 1792 Congress further reduced the fine silver in the dollar to 371.25 grains (in order to institute a ratio of 15 to 1 between silver and gold); and this content of fine silver (the scale of fineness having been reduced to 900 in 1837) remains in the United States silver dollar of to-day [1893] under the 'Bland Act,' weighing 412.5 grains gross." R. Chalmers, *A History of Currency in the British Colonies*, 1893, p. 398.

¹It is considered by some that the trade in dried cod is mainly responsible for the prevalence of the Spanish dollar in the British colonies in North America, and that to this is really due in the last resort the familiarity with the dollar as a currency unit which finally led to its adoption by the English-speaking peoples of the northern half of this continent.

The extreme scarcity of coin in the colonies and the many expedients adopted to remedy this state of affairs are matters of common knowledge. In England, after the Reformation, abstinence from meat on certain days of the week, as a religious observance, ceased to be enforced. This and the Navigation Act, passed in 1660, seemed to cut off the British colonies in North America from the Catholic countries of southern Europe, where an excellent market for dried cod existed, thanks to the rigorous observance of fasts. Not only was the demand for dried fish constant, but prices were high and the fish were paid for in pieces of eight. The enforcement of the Navigation Act was soon relaxed, and anyway, having first touched at an English port, there was nothing to prevent a colonial vessel from proceeding to a port in Spain. Direct trade in dried cod with the West Indies never ceased, and gradually the restrictions were relaxed so as to permit direct voyages to all points south of the most northerly cape in Spain. The profits of the trade were high, and soon the Spanish dollar and its fractions became the predominating coins in American circulation. Cf. *Journal of the Canadian Bankers' Association*, IV, 404.

many to have come about simply by general consent, because 4s. 6d. was a most inconvenient valuation for practical business purposes in a community where all accounts were kept in pounds, shillings and pence. It would seem, however, much more probable that it was due to the popular rating of the pistareen as the equivalent of a shilling. In a community familiar with the British shillings of those times, where at the same time one of the principal coins in circulation was the pistareen, it was only natural on account of its size and general appearance that the pistareen should pass as a shilling, and that the dollar, which was the equivalent of five pistareens, should come to be rated as five shillings.¹

Notwithstanding a constant inflow of foreign coins, they were neither sufficiently abundant nor sufficiently convenient

¹The earliest mention of the rating of the Spanish dollar at 5 shillings, to which we have been able to find any reference, is 1626. In a report of Sir Robert Cotton to the Privy Council dated that year, it is stated that "the said Royal of Eight runs in account of trade at 5 shillings of His Majesty's now English money." Again, in "*A Discourse of Coin and Coinage*," by Rice Vaughan, published in London, in 1675, but said by Chalmers to have been written before 1635, occurs the following passage: "And again, say they, the Ryall of Eight and the Rex Dollar are both of them reported as equal to five shillings sterling, but hold in intrinsical value less by ten in the hundred." In 1642 the General Court of the colony of Massachusetts enacted, in the quaint spelling of those times: "The ryall-of-eight shallbee also currant at 5s." Chalmers in his *History of Colonial Currency* thinks that this rating arose, just as in the case of the pistareen and the English shilling, from a general resemblance between the piece of eight and the English crown. It was, he says, general in all the North-American plantations in the 17th century, and was extended to the Canadas in 1777 by the Ordinance, 17 George III, c. ix. As has been pointed out in the text, the colonists continued to keep their accounts in pounds, shillings and pence just as they had been accustomed to doing, while in their every-day transactions the medium of exchange consisted principally of the Spanish dollar and its subdivisions, including the pistareen. They were naturally compelled to find some working relation between the money of account and that of trade, and hence the practice of reckoning the dollar at so many shillings came into vogue. Halifax was the principal English settlement in what was afterwards to become Nova Scotia, so when the valuation of the dollar at five shillings currency (the money of account) became general in the colony, the term "Halifax currency" came naturally into use. As a currency system, it does not appear to have had any legislative sanction until many years after its general adoption. The reader who is interested in the subject may follow it up by perusing chapter 1 and the sections devoted to Canada and the West Indies in R. Chalmers' valuable work previously referred to, *A History of Currency in the British Colonies*.

to supplant in general circulation the scrip and other small notes issued by local tradesmen, which were intended to facilitate business, but which really only aggravated the situation. An illustration of the prevalence of these issues of shinplasters, and of the moderate respect in which they were held, is drawn from Murdoch's *History of Nova Scotia*.¹ He recounts that a Lunenburg skipper, having an accumulation of the notes of a certain merchant, covered a stick of firewood with them from end to end, and then, shouldering the stick, marched into the office of the issuer to demand payment in metallic currency.

The account books of pioneer Halifax merchants disclose the occasional use of Spanish doubloons, but these coins were evidently fairly scarce until the early part of the nineteenth century. The first valuation placed upon this coin, £3 12s., proved too low in comparison with other coins in circulation. In course of time the doubloon reached a value of £4 currency and thereby became the chief coin of the province, not only as the result of the growing trade with the West Indies but by reason of the easy conversion of its fractions into their currency equivalents. The ratio between the doubloon and the pillar dollar was, roughly speaking, about 16 to 1. A workable relation was established between these two coins, but in 1820 the situation was complicated by the introduction of the "patriot" doubloon, a new coin minted by the former American colonies of Spain, which had just achieved their independence. The patriot doubloon encountered a similar experience to the "Royal doubloon," being undervalued at the outset, but reaching a higher value later on. About this time the currency was further complicated by the importation of sovereigns and by the action of the Home Government in substituting British silver for the Spanish milled dollar in its disbursements at Halifax. Another period of adjustment of values followed, until in 1834 the legislature again legally established the ratio of value between

¹Beamish Murdoch, Q.C., *A History of Nova Scotia, or Acadia*, 1867, III, 458.

coins in circulation.¹ From that time until a few years before Confederation² the sovereign was the unit of value at 25 shillings currency, and the value of the doubloon was fixed at £4 currency, or \$16. What the province needed, however, was a sufficient supply of good money, rather than an ever-changing collection of incongruous varieties, and large as the annual inflow of foreign coins might be, they rarely remained long in circulation; besides, the treasury bills, issued to provide for the requirements of business and to finance the affairs of the province, were frequently counterfeited. It was not until 1812, when making a new issue of bills, that the activities of the counterfeiters were recognized by the Government. The penalty provided is an example of the lingering severity of the early English criminal code. Upon conviction for counterfeiting the treasury notes, or altering them from a lesser to a greater value, the guilty person was to be set in the pillory for the space of one hour, with one ear nailed thereto, after which he was to be publicly whipped through the streets of the town or place where the offence was committed. In addition, as a refinement of torture, the culprit was required to undergo this experience with the knowledge that in the end he was also expected to stand all the expense of the proceedings.

The great number of notes of commercial companies and individuals in business, some of them for sums as low as one shilling, led to further legislation in 1818 prohibiting the issue of notes for circulation by corporate bodies not expressly authorized to do so. Again in 1820 the province forbade private parties to issue any note for circulation for a less

¹4 Wm. IV, N.S., 1894, c. lxi. R. W. McLachlan in his article, "*Annals of the Nova Scotia Currency*" (published in the *Transactions of the Royal Society of Canada*, Section II, 1892), states that this statute is the origin of the standard known as "Halifax currency." It may be the legal sanction for it in Nova Scotia, but the standard itself and probably the use of the term "Halifax currency," antedated the statute.

²The decimal system of currency was first legalized in Nova Scotia by 22 Vict. 1859, c. xxiv, which came into force on January 1, 1860; but it does not appear to have come into general use until a year or two later.

Treasury Note.

No. 1353

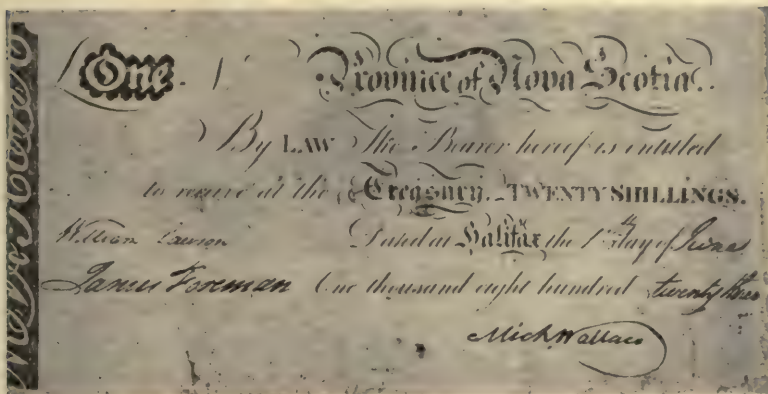
ON DEMAND

For value received I promise to pay the Bearer

Two Dollars,

EITHER IN GOLD OR PROVINCE NOTES

Halifax, September 1820 *Mich. Wallace*



TREASURY NOTES OF THE PROVINCE OF NOVA SCOTIA

Nos. 1 and 2 in the collection of The Canadian Bank of Commerce.

No. 3 from a plate impression in the same collection.

amount than twenty-six shillings, except when not negotiable and issued for private debts. An Act of the same year provided for a new issue of £20,000 in province notes, as the treasury notes of the province were customarily called. The earliest issues made by the province had been printed in the ordinary way, from type, but as early as 1812 engraved copper-plates were used. A few years later counterfeiters ("masters of arts," Michael Wallace, the Provincial Treasurer, ironically admitted them to be) across the border produced excellent duplicates and sent them back to Nova Scotia for circulation. In 1825, the Treasurer wrote in despair to Messrs. Smith, Forsyth and Company of Liverpool, who were acting as agents of the colony, informing them of his discovery that his notes were being forged in Boston, and saying that, while the province had hitherto been fortunate in escaping much loss through the imitation of its bills, he now found it necessary to procure "some kind of stamp" to put on the face of them which could not be easily imitated. "Have the bankers in England," he asked, "discovered any improvements in the manufacture of paper for notes that is not liable to be imitated by our neighbours in the United States, where many of the first masters of arts have congregated? A paper medium is absolutely necessary in this province and hitherto has proved of great public utility."

The relief that a bank might provide from the chaos of good, bad and indifferent money had not been overlooked, but the projectors of such enterprises felt very strongly that a monopoly was necessary to success, or was at least essential to make such a venture sufficiently attractive, and thus would not omit this condition from their applications to the government. The first body of business men to approach the legislature for this purpose included Messrs. Edward H. Brenton, William Forsyth, Foster Hutchinson, Lawrence Hartshorne, James Forman, James Fraser and Captain Beckwith, and that they had ample backing was indicated by the subscription of the entire capital stock of £50,000 in

one hour. This was an outstanding financial achievement in 1801, and testified both to the faith of moneyed men in the future of such an enterprise, and to the growing wealth of the community. The Lieutenant-Governor reported the episode to the provincial agent in London, and by way of emphasizing the changed condition of affairs, wrote that "ten years ago there did not exist £6,000 in the province that could by any possibility have been applied to any one point." The promoters demanded legislative assurance that "no other bank be established by any future law of the province during the continuance of the said corporation." The legislature would not grant a monopoly and the agitation for a bank lapsed until 1811, when it was revived under the auspices of the Halifax committee of trade, in spite of much newspaper and public opposition to the monopoly clause which was still retained in the bill. A chronicle of the times relates that early in the year a very numerous and respectable meeting of the inhabitants of the town was held at the Exchange Coffee House,¹ George Grassie, Esq., in the chair. It was resolved unanimously, "that the legislature be petitioned to authorize the establishment of a bank in Halifax; that £50,000 be the capital to be invested in the British Funds; that notes to the amount of £150,000 be issued by the bank; that the shares be £100 each, and that every five shares, according to classification, entitle to a vote; that the bank be authorized to pay notes presented, either in specie, provincial paper, or bills of exchange on London at the current rate." A committee was then appointed to prepare a petition and cause it to be presented to the legislature. The gentlemen present at the meeting unanimously agreed to give to the doubloon the value of £4, and to the sovereign the value of £1 2s. 6d. currency. The promoters were grievously disappointed to find that the

¹The Exchange Coffee House was first kept in the upper part of the old Market House on George Street, and later on the site of the old brick city hall. In 1818 a dinner was given by the officers of the 3rd Halifax Militia Regiment in the large room in this building, occupied as late as 1870 by the corporation as a council chamber.

views held by the legislature on the subject of monopolies had not altered since 1801, but later on they may have counted the decision a blessing in disguise, for the succeeding years proved anything but a propitious period for a new banking venture, whatever benefit such an establishment might have been to the country. The advent of peace violently disrupted business, while the cessation of expenditures upon military activities and the disbanding of the troops revealed the source of the preceding years of prosperity and inflation of prices. In 1815 the adverse turn to the fortunes of the province was accentuated by a plague of mice, which appeared by thousands and consumed a large part of the standing crops in the fields. A statement presented to the Legislative Assembly in 1818 showed that under an Act of a previous session £7,929 12s. had been expended in the purchase of provisions and grain for those who had suffered from the failure of the crops, and petitions from the rural communities—drawing attention to the general distress among the people, and asking for the issue of paper money as a loan from the province to the sufferers—were the subject of a debate in the Assembly. The report of a committee of the House, approving the proposal of the petitioners, was adopted by a majority of one, and a vote was passed on the following day to issue £30,000 for the purpose. There were various amendments suggested, one speaker declaring that £500,000 would scarcely suffice to relieve the general wants of the province, while another, Colonel Crane, argued that the province should not issue paper money unless it possessed the means to “respond” to it, otherwise it would sink in value. If the paper money now afloat were funded, he said, the revenue would be sufficient to justify the new emission. The upshot was that at the next session the Government made provision for advancing a total amount of £10,000, in sums of from £25 to £200, to the farmers of Annapolis and Kings County upon the security of their land. Treasury notes were issued in denominations of £1 and £2, and provision was made for

funding them and for redeeming in gold or silver any that were outstanding after five years. The loans were to be repaid, one-third in 1822, one-third in 1825, and one-third in 1828. The amount of £10,000 provided for the relief of the farmers was much below the sum suggested by some of the speakers in the Assembly during the debate in the previous session, when the petitions were presented. A year before, however, the House was on the eve of an election. During the political campaign which intervened, one candidate having succumbed to the tendency, still somewhat prevalent, to ascribe ill-fortune to the legal profession, gave this glimpse of the hard times prevailing in the province: "Without resources—not a dollar to be had, nor a friend to be found who has it. In such a time as this, is it right that we should be sued, and put to unjust cost? Gentlemen, the giant, Oppression, appears; he rises in full view! It is the overflow of law and oppressive cost that is ruining this country. We see nothing—we hear nothing but of law and lawyers in the House of Assembly, and in the country. They are rising like locusts in the land of Egypt."¹ Nevertheless, a lawyer, and one who has much to do with this story, Henry Hezekiah Cogswell, was at that election returned to the Assembly for the town of Halifax.

The removal to Bermuda of the British Government dockyard, although at first disguised by a gradual process, reduced employment, and the business of tradesmen also suffered through the comparatively infrequent visits of ships of the navy. The reaction from the era of war prosperity lasted until 1822, the depression becoming steadily worse, and Murdoch, in his history of the period, expresses his opinion that at no time was the progress of the province more thoroughly paralysed than in that year. "All the unfavourable effects of the change from a war establishment bringing money into the country to a state of peace, and of the reduction of squadrons, garrisons, dockyard, etc., had now their full

¹Murdoch, *A History of Nova Scotia*, III, 419.

operation," he writes. "The value of buildings and lands in Halifax, and generally throughout the province had sunk to a low amount; and the stagnation of business had made real estate almost unsaleable at any price. . . . The most palpable proof of the dullness of the period was that during the whole of the year 1822 no new building of any kind was attempted, and no repair or improvement went on. As far as an eye witness could observe, it is my impression that hardly a man was employed in that year to put on a shingle or clapboard to any place in Halifax. As to enlargement or improvement just then, it was out of the question."¹ The returns for the business of the port of Halifax for the years 1819 to 1822 inclusive, taken from the same authority,² and given below, reveal a balance of trade of almost three to one against the port:—

IMPORTS.

From Great Britain, etc.....	£1,266,399	9	10
“ Southern ports of Europe.	39,063	4	0
“ West Indies.....	348,175	1	4
“ United States.....	618,256	19	4
“ Coastways.....	163,199	18	10
	<hr/>		
	£2,435,094	13	4
	<hr/>		

EXPORTS.

To United Kingdom.....	£ 128,658	4	8
“ Southern ports of Europe.	10,292	11	0
“ West Indies.....	621,494	16	0
“ United States.....	95,801	2	6
	<hr/>		
	£ 856,246	14	2
	<hr/>		

¹Murdoch, *A History of Nova Scotia*, III, 488.

²Idem, p. 503.

After 1822 a gradual revival was noticeable, and with it came the psychological moment for the establishment of a bank, the need of which was every year becoming more apparent to business men. Merchants, vessel-owners, ship-builders, and even the public authorities, were subjected on the one hand to the inconvenience and hazard of having either to keep their spare funds idle or to entrust them to some private individual at an uncertain rate of interest, and on the other, to the difficulties of borrowing money from individual lenders, after troublesome negotiations with each. There was no machinery by which the funds of the community could be concentrated for particular undertakings. The amount of capital which might be borrowed for any Halifax enterprise was, as a rule, limited to the sum which one lender was able and willing to advance. Every merchant had a bank in his own office in the form of a heavily barred and rivetted iron chest.

Scales and weights were as necessary as the iron box, because, while merchants met from time to time and placed a common value on the guineas, doubloons, Mexican and Spanish dollars that came over their counters, there was always the danger of loss through coins which had been sweated or filed. It was, therefore, not until the tradesman had determined whether the coins tendered him were of standard weight, or if not, how much they lacked, that he was willing to accept them. A sea captain, just home from a cruise, leading a small procession of sailors carrying bags of treasure, flanked by a guard armed with stout cudgels or cutlasses, was no uncommon sight on Water Street in those days, and as often as not these little bands turned into the stone warehouse at the head of Collins' wharf. There Enos Collins and his partner, Joseph Allison, still continued to be important factors in the diminished trade of the port, even after the lucrative opportunities of the French and American wars had vanished. The preceding years of adventure had left the firm not only vastly enriched, but occupying a high

place in the commercial world because of their daring exploits.¹ It was these men who had been most successful in running the French blockade with shipments of flour and provisions for the support of Wellington's army in the Peninsula, and in eluding the French fleet a second time with their return cargoes, thus securing double profits. When peace came in

¹An interesting sidelight is shed upon the character of the times by an incident which has passed into the history of Nova Scotia under the name of the "Brandy Dispute," and which occurred about the time of the retirement of Enos Collins from the firm of Collins and Allison. Towards the close of the session of 1830 a controversy arose between the House of Assembly and the Legislative Council over a matter very trifling in itself, but involving important constitutional principles. It appears that when the tariff was revised in 1826 the duty on brandy was fixed at one shilling and four pence per gallon. West Indian rum, which was both cheap and plentiful, was the ordinary beverage of the times and brandy was used principally by the well-to-do. Collins and Allison were the principal importers of brandy, and had been in the habit of paying the customs duties in gold doubloons. Claiming that the Collector of Customs was undervaluing the doubloon, they petitioned for a refund of part of what they had paid, when the discovery was made that owing to a misinterpretation of the statute the duty had been levied at the rate of only one shilling per gallon. To prevent any such difficulty in the future and the loss of revenue which the mistake involved, the House of Assembly at once proceeded to pass another bill amending the tariff and definitely fixing the rate of duty on brandy at one shilling and four pence per gallon in accordance with the intent of the Act of 1826. This the Council objected to, and asked for a conference with the Assembly. At the conference between the two Houses the Council proposed the lowering of several duties besides the one under consideration. The Assembly refused to entertain the right of the Council to alter money bills, and a very able debate took place in the House on the important constitutional principle involved. The Assembly felt that its peculiar rights and privileges to vote supply bills had been invaded and neither side would yield. Enos Collins is given the credit for having marshalled the Council in opposition to the Assembly. The bill was finally rejected by the Council one afternoon and a curious situation arose. No revenue bill was in force, and the story runs that next morning the councillors were astir in a blinding snowstorm, getting quantities of spirits out of the bonded warehouses without payment of duty. The loss of revenue to the province was computed at £25,000 for the year. Immediately after the rejection of the bill the Assembly was summoned before the Council and dismissed by the president, the Hon. Michael Wallace, with instructions to "return to your homes that you may attend to your own concerns." Later in the year 1830 George IV died, and his death dissolved the legislature. New elections were held and were fought largely upon the issues of the "Brandy Dispute." The new Assembly was pledged to oppose the action of the Council and soon passed a revenue bill reimposing the duty of one shilling and four pence on brandy. The Council deemed it wise no longer to persist in their opposition and quietly passed the bill without alteration, thus ending this unique dispute.

1815, Enos Collins recognized that the day of war prosperity was past, and quickly turned to making private loans as an investment for his surplus capital. Before the dockyards were moved to Bermuda, when Halifax had still one hundred and six ships "on the station," the banker-merchant would discount the bills of the naval officers for a consideration, or would provide the funds to load a ship for the West Indies, or to bring a cargo from China, or to complete a schooner on the ways at Digby. His ear was always cocked for the price of doubloons at Boston, and he was a shrewd dealer in exchange to more than ordinary advantage, because, large as were his resources in the province, they were at least duplicated by his wealth in the United States. For years he and his partner worked together as ship-brokers and forwarders at one end of the building and as private bankers at the other, and at the close of business went together to their quarters in the fashionable suburb of Poplar Grove, where they lived as bachelors until both reached middle age. With the decline of trade and the scarcity of capital in Halifax, the banking department of the business grew in relative importance, and the centre of the firm's activities moved gradually farther from the docks and nearer to the Water Street front of the warehouse. It was a most natural evolution that a plan for a separate banking business should then take form, and early in 1825 application was again made to the legislature for a charter along the same lines as that which had been refused in 1811. The name of the proposed bank was to be the Halifax Bank Company. As in 1811, the capital was to be £50,000, to be paid by instalments within twelve months, and to be kept invested in the public funds in so far as it was not required to pay bills of exchange. The amount of the capital might be increased, but could not be lessened or divided. No shareholder could have more than five votes. The bank was not to trade, except in bullion, gold, silver, bills, etc., and not to charge more than six per cent. on loans. It was not to purchase the public debt or to lend to the government, except to carry out the



TREASURY NOTES OF THE PROVINCE OF NOVA SCOTIA
From the collection of The Canadian Bank of Commerce.

provisions of the charter regarding the investment of its capital, but might hold province notes. Land was not to be held, except to provide accommodation for its own business, or when mortgaged to it or taken for debt. The bank might issue notes for circulation, and bonds for sums not less than £100; the combined total of the two might not exceed three times its capital. Monthly statements were to be given to His Majesty's Council, if required. The shareholders were made individually liable for their proportion of all debts in excess of the capital. No other bank or banking partnership of more than three persons was to be permitted to transact a banking business within the province for ten years, and the charter was to hold good for twenty-five years, and thereafter until twelve months' notice of its termination had been given by the legislature. Three years were then given in which to wind up its affairs.

Much interest was aroused in the business community by this application for a bank charter, and opinions varied widely as to the advisability of granting it. One of the newspapers of the day, the *Acadian Recorder*, thus comments upon the project, in its issue of March 19, 1825:

"The interesting question now pending before the House of Assembly respecting a bank, approaches a decision. The bill on a second reading met with a more favorable reception than we could have anticipated—it was committed for a third reading without a division. The opinions entertained by many of the most experienced and enlightened persons in Nova Scotia have produced an anxious, nay, eager desire in the public for the success of this project. That Halifax, at least, requires the aid of greater diffusion of capital, to give life and activity to the business at present carried on, cannot admit of a doubt. The other parts of the province suffer less in every respect, because agriculture is their principal occupation. Every district, however, would largely participate in the benefits of an extended and improved trade in the metropolis. Unless this or some other measure be resorted to, that will

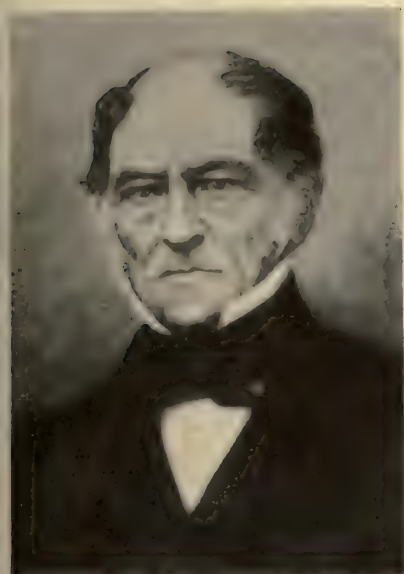
infuse spirit and energy into this town, in its present critical situation, we may almost prophesy with certainty, that its population will dwindle away to half the present amount. The chief part of the trade of the western counties has been drawn to St. John, N.B., and while the markets are high there, will continue to follow that course. Even the general prosperity of the province will in one way lessen the importance of Halifax, for the other seaports will seize on a part of its commerce. There is a strange and unaccountable cloud resting over the prospects of this place. Our neighbours have but to plan a bank—a college—or a canal—or indeed any public work of utility—and the execution follows as a matter of course; while with us commercial enterprize is damped by a lethargic feeling almost peculiar to ourselves. Surely the public spirited gentlemen who are willing to embark their money in an undertaking of this kind deserve some encouragement towards the attainment of so laudable an object.”

Notwithstanding this expression of favourable opinion the bill failed to pass, and the promoters were forced to give up all idea of obtaining a monopoly and to adopt the more cumbersome method of forming a private partnership in order to proceed with their plans. On September 3, 1825, a public notice in laborious and elaborate penmanship was posted in the Exchange Coffee House over the signatures of Henry H. Cogswell, president, and his partners, William Pryor, vice-president, Enos Collins, James Tobin, Samuel Cunard, John Clark, Joseph Allison and Martin Gay Black, announcing the organization of the “Halifax Banking Company.” The partners advertised that they would receive funds on deposit and would discount the notes of reputable and substantial persons. Although the venture had its birth in the warehouse of Collins and Allison and Enos Collins was its moving spirit, the bank was at first commonly called after the president, but “Cogswell & Company” soon gave way in the parlance of business to “Collins’ Bank.” But neither in the published announcement concerning the company nor even in

the minutes of the directors' meeting, was Enos Collins prominent. His name generally appears in the third or fourth place in the list of directors of those early days. Never obtrusive, he was never absent, and in every important undertaking of the bank his hand is visible. It was not difficult thus to keep in the background, for his associates were the most representative business men of the community. Henry Hezekiah Cogswell, the president, was the leading solicitor of the day. Born in Cornwallis, King's County, N.S., in April, 1776, and educated at the University of King's College, Windsor, N.S., he had won not only distinction in his profession but a comfortable fortune as well, thanks to the litigation concerning prizes of war which occupied the Halifax law courts during the American War of 1812. Admitted to the bar in his twenty-second year, he had been associated with the Hon. R. J. Uniacke, Sen., had been appointed Deputy Provincial Secretary in 1812, headed the poll as member for Halifax in 1818, and in 1824 was made registrar in the Court of Chancery. This position he held until 1829, and in 1831 he received the rare and coveted honour of a seat in the Legislative Council. Four of the twelve members of this body were his fellow directors in the Halifax Banking Company, a circumstance which was partly the cause of the long-continued and finally successful agitation against the existence of the upper chamber in its original form. Not many outlines of Mr. Cogswell's striking personality remain, but they are distinctive. He appears to have been an ideal business associate for a man such as Enos Collins, to have shared his slight regard for display or public approval of his actions, and to have had a high reputation for probity and fairness as a banker. Always a promoter of works of public utility, he was a particularly prominent supporter of the scheme for a railway line from Halifax to Quebec, a project which was regarded as chimerical in those times, because of the seemingly insurmountable obstacles in the way of financing it. To the titular head of the Halifax Banking Company,

the first suggestion to utilize tracts of ungranted land as a basis for credit for the construction of railroads is generally attributed by writers of the period. Although this method was not utilized for financing the building of the railway that eventually made confederation of the provinces a business as well as a political actuality, his policy survived and rendered possible most of the railway construction in this country. His sobriquet, "the cute man," throws little light on his character, for no one can tell whether this name was justly given, or was the outcome of the jealousy which dull minds feel towards men of alert understanding.

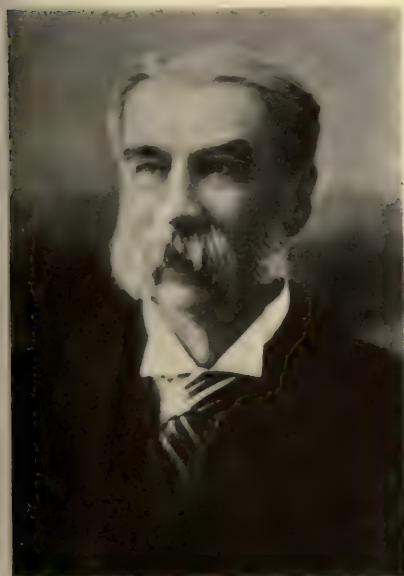
William Pryor, the vice-president, was head of the well-known East and West India house of William Pryor & Sons, which for three generations carried on one of the largest businesses in Halifax. James Tobin, senior partner of the firm of J. and M. Tobin, John Clark, Martin Gay Black, son of the Rev. William Black, the founder of Methodism in Nova Scotia, Joseph Allison and Samuel Cunard, were all outstanding members in the financial community. The last named was destined to be the most famous of this notable group as the pioneer of ocean steam navigation and the founder of the Cunard Line. Abraham Cunard, or Cuenod (as it is spelt in an advertisement of 1769), his father, came to Halifax from the United States after the troublesome times of the American Revolution, and Samuel was born in a small house on Brunswick Street, Halifax, on November 21, 1787. Before he became of age he assisted in the foundation of the firm of Abraham Cunard & Son, and it is related that the fortunate purchase of a prize vessel by young Cunard which resulted in a handsome profit, gave the firm a reputation for sound judgment in large and important transactions. Cunard's wharf came to be recognized as a centre for shipping interests, and in time Samuel Cunard had no less than forty vessels under his control. He took a leading part in the affairs of Halifax as the years passed by, filling numerous positions of trust and responsibility with credit to himself and satisfaction



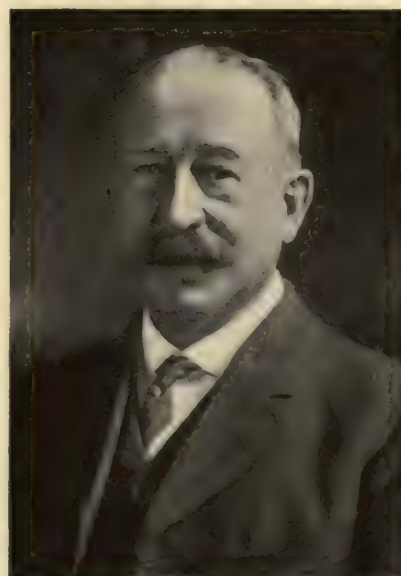
THE HON. HENRY HEZEKIAH COGSWELL
First President, Halifax Banking Company,
1825-1854.



THE HON. ENOS COLLINS
Founder of the Halifax Banking Company.



ROBIE UNIACKE
President, Halifax Banking Company, 1882-1903.



HORATIO NEWELHAM WALLACE
Cashier, Halifax Banking Company, 1892-1903.

to the citizens. He became colonel of the Second Halifax Regiment of militia and was a member of the old Council of Twelve. He headed the list of subscribers incorporated to build the "Royal William" in 1833, and in 1838 and 1839 founded the British and North American Royal Mail Steam Packet Company, which undertook the contract with Her Majesty's Government to carry the mails on the Atlantic ocean. This was the origin of the famous Cunard Line. In 1859 he was created a baronet of the United Kingdom for the services rendered by the fleet of the Cunard Line during the Crimean war.

The dominant figure, however, in the creation of the Halifax Banking Company and in the direction of its affairs for many years was Enos Collins, to whom we have already referred. His sagacity had made him one of the great capitalists of the Atlantic seaboard. At the time when the Halifax Banking Company was formed, and for five years afterwards, he was head of the firm of Collins and Allison, and both businesses were conducted in the stone building which Haligonians soon learned to know only as the home of the Halifax Banking Company. He reached the ripe age of 97, but it would have required a much longer life to bear out the innumerable stories of him which, none the less, give us some impression of his gnarled and unmistakable personality. Comments which he intended to emphasize were prefaced with "You'll obsarve, sir," and he was wont to impress upon his subordinates his favourite dictum on thrift with "You'll obsarve, sir, if you've only saxpence in your pocket, you can never spend a shillin'." The formula was not a mere profession, according to most of the story-tellers of that day, as he observed it himself with great faithfulness; and business men for whom he acted as banker during many years, have described him as an honest and straightforward financier, who made loans to them at reasonable rates and who was not in the habit of taking advantage of the necessities of his customers. One fairly authenticated anecdote is that, shortly before his demise

in November, 1871, at the age of ninety-seven, he had an interview with a good tenant and renewed his lease for twenty years, with the injunction to come to him again personally at the expiration of that time and he would renew the lease again on favourable terms.

There were nine members in the group which first made the attempt to organize the Halifax Banking Company. A partnership agreement drawn up on July 1, 1825, proposed to make the subscribed capital £60,000. The signatories were the following:

Hon. Enos Collins.....	£10,000
Henry H. Cogswell.....	10,000
Andrew Belcher.....	10,000
James Tobin.....	5,000
Samuel Cunard.....	5,000
John Clark.....	5,000
William Pryor.....	5,000
Joseph Allison.....	5,000
Martin Gay Black.....	5,000

This agreement never came into force, for Mr. Andrew Belcher, of London, England, withdrew from participation in the venture, and his name is omitted from the next deed of partnership, dated September 1 in the same year, the capital to be subscribed being reduced to £50,000, of which £7,500 was paid up. The term of the agreement was seven years, and the partners and their respective subscriptions were as follows:

Hon. Enos Collins.....	2 shares.....	£10,000
Henry H. Cogswell.....	2 shares.....	10,000
James Tobin.....	1 share.....	5,000
Samuel Cunard.....	1 share.....	5,000
John Clark.....	1 share.....	5,000
William Pryor.....	1 share.....	5,000
Joseph Allison.....	1 share.....	5,000
Martin Gay Black.....	1 share.....	5,000

In the event of a partner dying, his share was to remain in the business until the next semi-annual balance day, when his account would be credited or debited with the profit or loss, as the case might be, and the balance be paid to his executors or administrators. The indenture of partnership¹ witnessed that the parties mentioned in the agreement, "for the affiance, trust and confidence which each of them hath and doth repose in the other, have concluded and agreed to become copartners and joint traders together in the business of bankers under the name and firm of the Halifax Banking Company for their benefit, advantage and profit." "The bank," or "Collins' Bank" as it was more commonly called, was a close corporation, so that there was no necessity of making public its capital or liabilities. It speedily worked its way into the favour of the business community, to whom it furnished the means of conducting banking operations with convenience and safety. On account of the personnel of its owners, the new institution was at once accepted as being amply able to meet all of its obligations, but the public was never permitted to know much of its internal affairs. The partners issued notes redeemable in gold, silver, or province paper, as they saw fit, but which of these kinds of currency was to be paid in any particular transaction was a matter between themselves and their customers. While no one knew the extent of the resources which the bank held as security for its notes, the known wealth of the owners threw a glamour over the strong room in the prison-like fortress on Water Street, which in the popular mind was believed to hold great stores of gold, and the notes of the partnership were accepted without question.

The partners appear to have held meetings as a "Board" from time to time, and to have elected the officers of the bank, namely, president, vice-president, and secretary, every August. In addition, every six months, in February and August, a committee of three was appointed to make a half-

¹See Appendix III, p. 492.

yearly inspection of the affairs of the bank, and to report to the Board early in the following month. The report was duly adopted by vote, and appeared upon the minutes of the Board.

The officers first elected were H. H. Cogswell, president, Wm. Pryor, vice-president, and Martin Gay Black, secretary. Mr. Cogswell retained the presidency until his death on November 9, 1854, and was succeeded by Wm. Pryor, the vice-president. He died on September 4, 1859, and was in turn succeeded by M. G. Black, who died two years later.

During the early period of its existence, public curiosity concerning the affairs of the bank was whetted by stories of the fabulous profits divided behind its closed doors, but the partners maintained their policy of secrecy, and this appears to have strengthened public confidence rather than to have diminished it. A curious illustration of this is afforded by a story told of one of several robberies from which it suffered in its early days. One morning a number of bags of coin bearing the name of the bank were found behind a pile of stones on a wharf on Upper Water Street, and several more bags had been dropped behind the shutter of a shop close by. It was surmised that the thief, being forced to lighten his load, had discarded the least valuable portion of his booty, and had escaped with the remainder upon a Cunard ship which sailed during the night. The town learned this much, that the doors of the bank and of the vault had not been forced, but simply unlocked, and that the keys which were in the custody of the bank officials had not been disturbed. Halifax had a fine mystery to unravel, but never a clue did the excited community receive from the partners. Police assistance was courteously but firmly declined, and no information as to the amount of the robbery was divulged. The partners carried on business with an imperturbable and serene air, having apparently ample cash to meet all demands. Many years afterwards circumstantial evidence from an outside source pointed to an Old Country criminal as the perpetrator of the robbery. He



The building erected by the Hon. Enos Collins about 1812, the banking portion of which was occupied by the Halifax Banking Company 1825-1903, and by The Canadian Bank of Commerce 1903-1908.

Here Collins and Allison from the erection of the warehouses carried on for many years a large shipping and warehouse business, and here after the close of the war in 1815 Enos Collins began a private banking business.

had devoted months to procuring wax impressions of the locks, and escaped, as had been suspected, on the Cunard liner. When examining the booty that he had been able to carry off, he discovered to his chagrin that instead of gold he had taken silver coins worth at most only a few hundred dollars. The partners did not deviate from their policy of silently minding their own business, even when about 1831 letters were read at their Board meetings from George Damerum, Deputy Commissary General, "proposing certain queries and requesting answers to them by the Halifax Banking Company relative to their establishment," and later, from Sir Rupert D. George, Provincial Secretary, "with a copy of a letter from Lord Goderich to Sir P. Maitland and one from Mr. Ellice to Lord Goderich, all requesting information on the same subject." The partners resolved that "a reply be made thereto," but there is no record of the Government receiving any more light upon the business of the company than did the public. Not until March, 1878, do the figures of the company's assets and liabilities appear in the Government statement of chartered banks. In the following months no figures are given, but in November, 1878, an asterisk is prefixed to the name with the following note: "At present not obliged to make returns." In September, 1879, the figures are given for the second time, and regularly thereafter. The history of Canada furnishes no parallel to this staunch institution, founded when the principles of banking were only vaguely grasped, which for half a century through fair weather and foul, kept its innermost secrets inviolate, its business sound, and its honour untarnished. Nor can the records of banking in Canada show such another example of continuity of administration and loyalty to one undertaking transmitted from father to son.

Perhaps one may best divine what was in the minds of the original partners when they decided to go into business, and with what success they held together, by quoting some extracts from old letter books of the company. On July 20, 1857, over three decades after the founding of the bank, its

secretary wrote to the Liverpool Union Bank, their correspondents in Great Britain, as follows: "I feel desirous of stating to you what I know respecting this company. Not any bank existed in Nova Scotia until 1825 when it came into the mind of a gentleman to establish such an institution, on which he consulted a friend who at once entertained the proposition and thus were combined the interests of the two most wealthy gentlemen in the province, whose deliberation resulted in getting six of our most influential merchants to join them in the prosecution of their scheme, which being matured, this bank was opened for the transaction of business on the 1st September, 1825, ever since which they have combined in successful operation without any other alteration than a change of partners, which in all cases except two has been occasioned by death. There are yet, however, three of the original partners in the full exercise of their directory. The son of our late president, who for upwards of twenty-eight years occupied the chair that was first assigned to him, has succeeded to his father's share in the institution and the son of the member with whom the plan originated now sits by his father's side at the Board. The present accountant, as also the present cashier and the person just now in the actual discharge of the duties of messenger, were the company's first pioneers and they have witnessed the establishment of three banks that have entered upon their labours with the advantage of the way having been made clear and plain before them." And in October, 1859, Martin Gay Black, who had by that time become president, writing to the Liverpool bank of the death of his immediate predecessor, William Pryor, who died September 4, 1859, at the age of 85, gave the following additional information as to the relationship between the partners: "The Hon. E. Collins, in consequence of advanced age and a desire to free himself from active business engagements, has withdrawn from the company and William Pryor, Esq. (a merchant of our city, eldest son of our late president and of the firm of William Pryor and Sons), N. T. Hill, Esq.,

(who has been our cashier since the formation of our institution in 1825 and who will continue to act as cashier) and P. C. Hill, Esq., a barrister (son of the latter and son-in-law of the Hon. E. Collins), have become members of the company. The Halifax Banking Company, therefore, is now composed of James C. Cogswell, Brenton H. Collins, William Pryor, N. T. Hill, P. C. Hill, Esqrs., and the writer, and for your guidance we append our usual signatures. You will perceive by this that three of the sons of the original proprietors now have a seat at the Board."

The following extract from an historical review of conditions in Halifax, which appeared in the *Halifax Herald*, in 1885, gives a graphic description of the city sixty years before, when the bank first began business:

"In 1825, Halifax, which was even then called an 'old city,' was quite a different place from what we see it to-day. But if our grandfathers, who sixty years ago discussed in the coffee houses and at the street corners, among other gossip, 'the bank' just started, could revisit this upper sphere, they would have to admit that things are not quite so bad in Halifax as when they fell asleep. In 1825 Halifax was seventy-six years old, but it was still little more than a military and naval station. Its population numbered about 12,000, precisely what Governor Parr had estimated it to be forty years before, and was housed for the most part in dilapidated wooden buildings huddled together in the quadrilateral formed by the harbour, Salter Street, the citadel and Jacob Street. What is now 'the common' and 'the gardens' and very much of the southern end of the city, was, for the most part, an alder swamp. Dartmouth was largely a forest, reached by 'team boats'¹—a means of transport even more wretched than that at present existing. Within the city, streets, where not entirely impassable for teams, consisted of a miscellaneous collection of mud, stones, stumps (for there

¹Boats, the propelling machinery of which was worked by horses, driven round in a circular enclosure on the deck.

were stumps even in Granville Street at that date), and refuse of all varieties and in all stages of decomposition. These alleged streets were flanked by narrow wooden sidewalks so constructed that in passing over them after a shower in summer or a thaw in winter, the unfortunate pedestrian frequently received a shower bath fired as from a pop gun beneath him. Oil lamps, at long intervals, served the city as an electric light company, while pumps here and there represented the only water works of the period. A sailing packet, that ordinarily took forty-five days to cross the Atlantic, twelve times a year brought a mail from England, and carried one away again, while once a week, and once a week only, the Eastern 'Coach' came lumbering into the city with the mails from St. John, Cumberland, Truro and all eastern Nova Scotia. This arrived on Saturday afternoons. On Thursdays, generally about noon, the western mail, from Yarmouth, Digby, Annapolis, Windsor, etc., arrived. On these occasions John Howe, the postmaster, would go out and get the one or two bags that contained all the mail matter that the coach brought, carry them into the office in one hand, and in half an hour have everything ready for delivery, and probably delivered.

"The trade of the city in those days was, as might be supposed, carried on in a very deliberate manner. There was certainly no occasion to rush things. The 'merchant princes' of Halifax of that period (of whom seventy-five per cent. were liquor dealers) ordinarily lived above their shops, where in garrets running alive with rats and cockroaches our fathers spent those 'good old days' with allusions to which they have so often pestered us. (May their souls rest in peace and may the Lord forgive them for all their slanders on a later and better age!) For the seventy-five years that trade had been carried on in Halifax, business fluctuated just as the world alternated between war and peace. When war was abroad Halifax prospered; when peace was concluded it decayed. During these periods of depression its wise men met at the

'Pontac'¹ or the 'British Coffee House'² (just as they now do at the Halifax Club), drank 'calabogus'—a mixture of rum and molasses—and abused the Government. They certainly were more logical then than now, because governments have undoubtedly the power of making war and peace, and all that the Halifax merchant of the old time wanted was 'loud war by land and sea'. War filled the forts with soldiers or prisoners, and the harbour with ships of war. It moreover gave opportunity for privateering and for profiting by the privateering operations of others. In this way most of the wealth then held in Halifax had been made. For there were a few wealthy men in Halifax even at that day—though not by any means so many as it is sometimes supposed. Collins, Cogswell and a few others were wealthy, but that wealth was more the spoils of war than the profits of legitimate trade. The peace that followed the downfall of Bonaparte left Halifax, rich and poor alike, in a very bad way. The poor traders began going to the wall with distressing rapidity. Several firms that were thought stable went down. The rich could find no profitable use for their money, while among the working classes there was positive distress. As the time wore on things appeared to be getting worse and worse. By

¹The Pontac was a famous tavern at the north-west corner of Duke and Water Streets, which was long the favorite place in Halifax for social entertainments. It was built by the Hon. John Butler, one of the early settlers, and the building was destroyed by fire in 1837. General Wolfe entertained his friends here in 1758 before leaving Halifax for the attack on Louisburg, and many notable persons were present on this occasion. In the *Nova Scotia Chronicle* for September 19, 1769, appears an advertisement by one John Willis, stating that he has lately opened "the house commonly known as the Great Pontac." The name "Pontac" was derived from an eating house on the west corner of Abchurch Lane and Lombard Street, London, kept as early as 1694 by a Frenchman named Pontack or Pontac, who is described by Evelyn. Pontack's father was president of the Parliament of Bordeaux and the owner of vineyards from which came choice clarets which bore his name. Later the eating house became the celebrated Lloyd's Coffee House, kept by Edward Lloyd, who in September, 1696, started Lloyd's News.

²The British Coffee House stood on Upper Water Street adjoining Ordnance Yard on the north. It was built by a merchant named Philip Marchington. In 1787 His Royal Highness Prince William Henry (afterwards William IV) attended a ball held there, at which all the youth and beauty of Halifax society were present.

1825 they had reached such a state that it was felt by the business men of Halifax that a 'new departure' would have to be made. They therefore determined to leave the coffee houses alone for a time, and ceasing to abuse the Government, to combine in a number of enterprises calculated to bring trade and profit to the port. A Chamber of Commerce was formed, and a number of schemes were projected. Some of these schemes were, doubtless, quixotic enough, and most of them were destined to end in failure. But one of them at least, was fated to succeed—to be the pioneer, in an important field, of a leading department of business, and to bring profit as well as distinction to its founders. This was the institution already named—the Halifax Bank. Halifax, as a centre of commercial business, may be said to date from that period."

Though the founders of the Halifax Banking Company knew clearly what they wanted and had an instinctive and practical knowledge of finance as applied to a community such as that of Halifax, they were also aware that they were deficient in the knowledge of the methods of conducting the daily business of a bank, and of the technique of opening a set of books for financial operations on a large scale; and so we find that the first step taken after the partnership had been effected was to acquire such knowledge. A cashier¹ had been appointed in the person of Captain Nicholas Thomas Hill of the Naval Staff corps, whose training and experience, though he proved a great success, left him quite in the dark as to office methods. Before commencing business, Captain Hill, in company with Mr. Cogswell, set sail for Boston in the "Cordelia," one of Samuel Cunard's ships, for the purpose of visiting the principal banks of the New England metropolis, and obtaining what a later generation would term "pointers." They were received with the utmost cordiality by the bankers of Boston. The books of the various institutions were opened to them and the day-to-day working of a bank explained.

¹In early days in British North America the chief executive officer of a bank was called "cashier." This term has gradually given way to the title, "general manager."

Having ordered from Boston stationers the necessary ledgers and other account books, they returned to open the first banking institution of Nova Scotia.

The precedent thus set was later followed by others. A few years afterwards when the Bank of Nova Scotia (of which more presently) was established, one of the first acts of the directors was to despatch its first cashier, Mr. James Forman, to St. John on a similar expedition.

On September 3, 1825, the new bank opened its doors. Its system of issuing its own notes, instead of making payments in the nondescript currency of the time, was welcomed by the business community, and the absolute confidence that prevailed in the ability of the company to meet its obligations facilitated exchange and provided a stimulus to trade.

The company, though it accepted deposits, did not solicit them, and in fact paid little attention to this branch of the business as a source of profit. The minds of the partners were concentrated on foreign exchange and the gains to be obtained therefrom. The office hours were from 10 a.m. to 3 p.m., and these hours have remained in force in the Canadian banks to this day. Business was not done with a rush in the little seaport, and certain days of the week—Tuesdays and Thursdays—were “discount days”; it was required that notes for discount should be left with the cashier on the day preceding. Holidays were numerous; in the Nova Scotia Calendar for 1828, they number no less than nineteen, exclusive of the days between Christmas and New Year during which public offices were closed. The ensuing list, which includes many now obsolete, will show how frequent were these intervals of relaxation; though we may be sure that men like Enos Collins and H. H. Cogswell were busy on days when some well-laden ship happened to make port on a holiday:

January 1.....	New Year's Day
January 30.....	King Charles Martyr
January 31.....	George IV's Accession
March 17.....	St. Patrick's Day

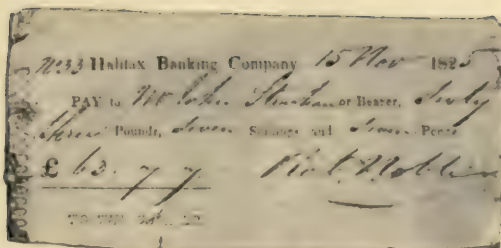
March 25.....	Lady Day
April 23.....	{ St. George's Day King's Birthday
May 29.....	Restoration of King Charles II.
June 24.....	St. John's Day
July 19.....	George IV Crowned
September 29.....	Michaelmas Day
November 5.....	Gun-powder Plot
November 30.....	St. Andrew's Day
December 25.....	Christmas Day
	Good Friday
	Whit Monday
	Easter Monday
	Whit Tuesday
	Easter Tuesday

The actual working staff, exclusive of the partners, some of whom met daily, consisted of Captain Hill, the cashier, James C. W. Wilkie, clerk, and Joseph Keefer, messenger.

The following statements of the assets and liabilities of the copartnership, a few years after business had been commenced, gathered from the old records, are interesting as showing the extent to which the business had grown:

LIABILITIES.									
	February 28, 1830				February 29, 1832				
Capital stock (paid in) ¹ £	45,000	0	0		£	50,000	0	0	
Bank note account.....	90,500	0	0			113,871	0	0	
Deposits.....	44,814	1	4			70,944	4	1	
Due London agents (Brown, Danson, Willis and Co.).....	3,416	18	0			....	..	..
Profit and loss.....	4,925	1	7			6,467	12	11	
	<hr/> £188,656				<hr/> £241,282				
	0 11				17 0				

¹ In 1830, in addition to the capital paid in, £5,000 in government securities were lodged with the company as a guarantee or reserve fund. The subscribed capital was, at that time, £50,000. In 1832 the securities thus held had increased to £15,000, and the subscribed capital was £65,000. See p. 64.



CUSTOMER'S CHEQUE

In first year of the Halifax Banking Company.

Halifax 3rd March 1831

Resolved unanimously that the sum of
 £5,556.16.4 be entered to the Credit of Dividend
 Account No. 10 subject to such changes as the
 same is liable to, as per note at foot of acct.
 current, and that a Dividend be made of Five
 Thousand Pounds, in favor of the Proprietors appor-
 tionable to their respective shares to be paid out of
 that fund

In testimony of our approval and certification
 of the preceding entry of the Report of the Committee
 containing a Statement of the accounts of the
 Banking Company up to the 20th February last
 and of the Resolution accompanying the same, we
 have hereunto subscribed our Names.

Henry H. Coppin
 William Emery
 Ernes Tolling
 J. T. Tobin
 John Smith
 Joseph Allison
 Saml Cunard
 Martin Gray Black.

DECLARATION OF A DIVIDEND

By the partners of the Halifax Banking Company.

ASSETS.

	February 28, 1830			February 29, 1832		
Cash on hand.....	£37,864	5	6	£31,952	2	0
Due by Boston agents. ¹	867	8	9	1,310	0	8
Due by London agents (Brown, Danson, Willis and Co.)...	....	..	..	16	7	10
Bills discounted.....	148,711	19	5	204,583	11	4
Bills of exchange on hand.....	1,212	7	3	2,796	4	6
Sundry assets.....	....	..	..	624	10	8
	<hr/> £188,656 0 11 <hr/>			<hr/> £241,282 17 0 <hr/>		

The dates for which the figures are given have been selected as those on which a complete balance sheet might be compiled from the data available. The end of the partnership year was apparently August 31, but semi-annual examinations of the affairs of the company were made by a committee of the directors, and it is thus that the figures have been preserved.

The first dividend was paid in September 1826, at the end of the first year of business, and amounted to £2,000. Six months later a second dividend of £2,900 was paid. No exact statement of the profits during the first five or six years of the Halifax Banking Company's existence was ever made public, but they were large enough by common report to excite the emulation of others. A statement of the cash in hand appears in the minute book for February 28, 1831, and shows how substantial the company was, and also the varied nature of the currency in use in Nova Scotia less than one hundred years ago. It comprised the following:

¹In 1830 the Boston agents were Munson and Barnard. In 1832 the firm name had become Barnard, Adams and Company.

Gold—

Spanish doubloons.....	£ 1,300	0	0
Parts of do.	210	0	0
Patriot doubloons.....	19,636	0	0
Parts of do.	514	10	0
Half eagles.....	31	5	0
Small gold.....	658	19	8
Silver change.....	486	15	4
Pistareens.....	550	0	0
British money—cost.....	305	0	9
Province paper.....	9,261	0	0
New Brunswick notes.....	17	10	0
Bank notes.....	7,274	0	0
Sundry.....	558	10	8
	<hr/>		
	£40,803	11	5
	<hr/>		

The peculiar difficulties met with by the British American colonies, in providing a suitable circulating medium for trade, are admirably described in Professor Shortt's *History of Canadian Currency*.¹ Quebec clung to the coined money of old France, overvaluing it; Montreal and Upper Canada favoured the currency of New York, where the shilling of account was one-eighth of the Spanish dollar, the York shilling of early days; while, as already pointed out,² the Maritime Provinces derived their shilling from the pistareen, or peseta, which represented one-fifth of the Spanish dollar, the basis of the "Halifax currency." The pistareen was at one time plentiful in the United States, passing for twenty cents, but in consequence of a report made by the Director of the Mint in 1827 it fell to seventeen cents and quickly disappeared. It is therefore easy to see why the Halifax Banking Company had so many pistareens on hand, each standing for a Halifax shilling.

¹*Journal of the Canadian Bankers' Association*, VII, 209, et seq.

²See p. 34.

In the statements of the bank a distinction is made between the "Royal" doubloons of Spain, or "Spanish" doubloons, and the "patriot" doubloons of the Spanish-American republics. The doubloon was the equivalent of sixteen Spanish or pillar dollars, and was generally a legal tender in the British American colonies at this time, at \$16, or £4, Halifax currency. The value of patriot doubloons in United States currency varied from \$15 to \$15.60, according to weight and fineness. Royal doubloons of the eighteenth century were in some cases worth a trifle more than \$16, but although estimated more highly than patriot doubloons, they usually had less intrinsic value by reason of wear. It is not surprising, therefore, that the frequent orders for gold, sent to the Boston correspondents of the Halifax Banking Company, were always for "patriot doubloons."

"Province paper," of course, meant the note issues of the province of Nova Scotia, referred to elsewhere,¹ and illustrated on plates 6, 7 and 8. "New Brunswick notes" doubtless meant the issues of the only other bank in the Maritime Provinces, the Bank of New Brunswick. There are, in other statements, references to Prince Edward Island notes which apparently meant, at least in part, the issues of private merchants or bankers.² "Bank notes" meant the notes of the Halifax Banking Company; notes on hand in the cash were held as an asset, while the total amount of notes signed by the partners, less those destroyed by burning, were shown as a liability in their system of book-keeping.

In 1830 the personnel of the partnership was still unchanged, and Mr. Cogswell continued as president. A year or so later he was appointed to the Executive Council of the colony, hence his title of "Honourable." The profits were divided every half-year among the partners, "agreeable to their

¹P. 28 and see Appendix I, p. 411 *et seq.*

²Opposite page 64 will be found a reproduction of a bill of exchange issued by Messrs. James Hodges and Company, Prince Edward Island, intended apparently for use as currency.

respective shares." The dividends during the last years in which the company had the field to itself in Halifax were:

March 3, 1830...	Dividend No. 8...	£4,000	0	0
Sept. 2 " ...	" 9...	3,000	0	0
March 3, 1831...	" 10...	5,000	0	0
Sept. 2 " ...	" 11...	4,500	0	0
March 2, 1832...	" 12...	5,024	13	4
Sept. 3 " ...	" 13...	5,153	7	6

During the first two years shown above, the capital used in the business was £45,000, and in addition the sum of £5,000 was held in government securities, under an agreement between the copartners, as a reserve fund for the security of the bank. These securities belonged to the copartners as individuals, and the income from them apparently did not form part of the profits of the bank. On January 31, 1832, the capital was increased to £50,000 in the business, and £15,000 in government securities. On September 1, 1832, the subscribed capital was increased by a new agreement to £80,000, divided into shares of £10,000 each. Of this £50,000 was paid up, £15,000 was held in the vaults of the company in the form of public securities of Great Britain, the United States, or Nova Scotia, and the balance of £15,000 was subject to call by a majority of the partners. Any partner who had not paid in his share was subject to a fine of one shilling per day for each £100 that was lacking. This fine was to be divided equally between those partners who had paid their calls. It was further provided that the securities held were not to be disturbed until all of the remaining £15,000 liable to call had been paid up. Should the business warrant it, the partners agreed to increase the capital to £100,000, and provision was made whereby the continuity of the business was not to be interrupted by the death of a partner. These provisions, looking to the extension and permanency of the company, were no doubt dictated not merely by the profitable nature of the business, but also by the prospective appearance of a rival in the field.



STERLING BILL OF JAMES HODGES AND COMPANY OF PRINCE
EDWARD ISLAND, CIRCULATED AS CURRENCY

In the collection of The Canadian Bank of Commerce.



NOTE ISSUED BY JOHN ALBRO

Of John Albro and Company, Hardware Merchants, Halifax. From specimen in
Provincial Museum of Nova Scotia, Halifax, N.S.

At that time the Halifax Banking Company was rapidly approaching a crisis in its career. Its prosperity had aroused enemies in the business community. Its partners not only controlled the financial situation in the chief port of British North America, but they were strongly entrenched in the government of the colony of Nova Scotia. Five of them were members of the Executive and Legislative Council,¹ from 1832 until the retirement of the Hon. Joseph Allison and the Hon. Samuel Cunard from the company in September, 1836. Two of them, Collins and Cogswell, were men who would have been dominating figures in any financial centre of the world. Murmurs of "monopolists" became widespread. Every individual who met with financial disaster or even temporary misfortune laid it at the doors of the Halifax Banking Company. It was charged that they favoured certain clients and used discrimination in their dealings with the commercial community. It is quite possible that the allegation that their methods were at times autocratic was in part true, though there is every evidence that they were men of public spirit, keenly anxious for the prosperity and progress of the community at large. But the fickle public, which had at first welcomed them as saviours of the financial situation, had changed its tune—particularly those who had reached the limit of their borrowing powers with the company. One especial grievance, of which much was made, was in connection with the company's method of meeting its notes. They were made "payable in specie or province paper." The critics of the company construed this to mean that the holders of notes were entitled to demand payment in whichever of the two they chose. The company held that it entitled them to pay in the medium which was most convenient, and this difference in interpretation was to become the subject of very bitter controversy, and to have far-reaching effect on the future history of the colony.

The old Exchange Coffee House, later used for a time as the city hall of Halifax, was the meeting place of all factions

¹See p. 84.

in the town and on February 1, 1832, there was more than ordinary stir in its common room. A notice pinned on the walls announced the project of a chartered bank to be known as the Bank of Nova Scotia. That some such plan was being mooted had been whispered in the commercial community, and the methods of the Halifax Banking Company had been the subject of satirical and bitter attacks in the local newspapers. With the posting of the notice every wharf, warehouse, law office and liquor shop (establishments of the latter kind were extremely numerous) was agog with the news. At last Nova Scotia was to have a chartered bank like the adjacent colony of New Brunswick.

At the head of the new enterprise was William Lawson, a very estimable and gifted man, who had built up a considerable fortune in ten years and was one of the members of the Legislative Assembly for the county of Halifax. The project was enthusiastically received at a meeting held in the Exchange Coffee House, and subscriptions to it were generous, not only in Halifax itself, but in the other towns of Nova Scotia. The proposed charter was not unlike that presented in 1801, which had been thrown out because the provisional board had demanded a permanent monopoly of the banking business in Nova Scotia. In its general lines it was modelled on the charter of the Bank of New Brunswick. The bill to incorporate the new bank was introduced in the Legislative Assembly by William Lawson, and the well entrenched copartners of the Halifax Banking Company prepared speedily for war. The modern reader of the debates that ensued cannot fail to be impressed with the ability shown by some of the speakers, and though the issues involved strong rivalries, a tone of dignity was maintained. This is perhaps attributable to the fact that political power at that time rested in the hands of the natural leaders of the community, men accustomed to exercise authority, and whose intelligence was in many instances sharpened by the fact that they had personal interests at stake.

It was quite clear from the outset that public sentiment was for the most part against the monopoly of the Halifax Banking Company. Collins, Cogswell and their friends and associates probably knew beforehand that the charter must go through in some form or other, and their efforts were concentrated on giving it such form as would do the least possible harm to their enterprise. As a result of their efforts certain safeguards were added, which were destined to become a permanent part of the banking laws of Canada. In later years they could claim with justice, that even though self-interest might have governed their actions, they had conferred a permanent benefit on the public at large.

As chartered banks have been a recognized institution for many decades in this country, it may seem curious to the reader in the twentieth century, that serious and plausible objections to their existence were ever forthcoming. The main point urged by the opponents of the charter system was that in the case of a chartered bank the liability of the shareholder in the case of loss or bankruptcy was limited; whereas in the case of a partnership such as the Halifax Banking Company every partner was pledged and liable to the full extent of his assets. It was a very important point and it was made so clear by the opponents of the proposed charter of the Bank of Nova Scotia, that a "double liability" clause, similar to that which is now part of all Canadian bank charters, was the outcome.¹

When the debate began, Lawson, who had introduced the bill, and who was to become the first president of the Bank of Nova Scotia, dropped into the background, and Alexander Stewart, the member for Amherst, took charge of it. He had able assistance from W. B. Bliss, the member for Hants, who for a time, though only for a time, seemed to be the mouth-piece of the charter-seekers. Stewart had been one of the original subscribers to the extent of £1,000, but withdrew his subscription in order that he might not be charged with a personal interest in the project. On the other side were

¹See pp. 20 and 176.

aligned Stephen Deblois, an old colleague of Lawson's, who had parted company with him on the question; John Young, perhaps the ablest member of the lower House, and Jotham Blanchard,¹ a bitter fighter, who probably got his very formidable verbal ammunition from Enos Collins. Blanchard, indeed, was a typical "die-hard" in his opposition to the measure. He laid stress on the fact that the private purses of the persons interested in the new bank would not support its general credit, as the purses of private bankers supported establishments in which they were all responsible to the full amount of their private fortunes. The bill-boxes of the Halifax Banking Company, he charged, were filled with the paper of persons who had signed the subscription lists of the new bank. What if it should enforce the liquidation of this paper, and so exhaust the funds of the new enterprise before it was well established? On the other hand he emphasized the solidity of the fortunes of the eight partners of the Halifax Banking Company. What could dissipate these? The promoters of the charter found themselves very much embarrassed by the records of certain chartered banks in the United States, which had failed with disastrous consequences to their depositors and to the business community which they served. The course of John Young, known as "Agricola" from his pen-name in a series of letters on the development of agriculture, had been at first ambiguous and efforts had been made to draw him out. His position soon became clear, however, and his criticism proved destructive of the charter as it stood. He announced that the greatest objection to the proposed bill was that it failed to fasten serious responsibility on the directors of the new enterprise for the safety of the deposits in their keeping. Holding in his hand a pamphlet, he described the charter of a New York bank, and read an extract proposing that the United States adopt the practice of Scottish banks, whereby "the holders of stock at the time of mismanagement shall make good any loss."

¹A scholarship has been founded in Dalhousie College, Halifax, in honour of Jotham Blanchard, by the people of Pictou County.



BURGLAR OR FIRE-ALARM BELL

Attached to the building of the Merchants Bank of Prince Edward Island (Plate 24.)



KEYS OF THE MAIN DOOR AND OF THE VAULT
Of the Halifax Banking Company. (Appendix IV.)

PLATE NO. 13.

Stewart, in retort, caused some confusion in the ranks of the opponents of the charter by showing that Young had failed to read the qualifying words, "provided that no one shall pay more than the amount of stock held by him at the time"—in other words, that there should be double liability, as we now know it. Finally the charter passed the Assembly by a vote of 26 to 10; the double liability safeguard, with some other minor amendments, being incorporated in the bill.

There was great curiosity as to what the fate of the bill would be in the Legislative Council, which at that time had the powers of a "Star Chamber" and was entitled to hold its deliberations in private. Cogswell and four of his partners at this time held seats in the Council, which numbered only twelve members. It was generally assumed that it was Cogswell who had primed Young and other critics of the measure, and it was suspected that by the time the Council of Twelve had finished its deliberations *in camera*, yet more serious changes would be made.

These suspicions were justified. The Council shortly announced that it had passed the bill "with amendments." The lower House was angry and deputed Mr. Bliss to wait upon the Council and demand particulars. He returned to the chamber, seemingly in good humour, and reported merely that the Council was unanimous in its amendments. When shortly afterward Mr. Bliss was elevated to the Supreme Court Bench there were not lacking those who asserted that his appointment was a job, and that Collins and his associates were at the back of it. Even before the amendments were known, the friends of the proposed bank in the Assembly were demanding "reform of the Legislative Council."

The most important amendment that had been made not only confirmed the double liability clause, but made it a *triple liability* "in all cases of loss." This drastic restriction the Assembly refused to accept. The Council further required that ten, and not five, per cent. of the subscriptions must be paid in before directors were chosen; that £50,000, instead of

£35,000, payable in gold or silver coins, or provincial treasury notes, must be the initial capital; and that in case of a refusal by the bank to *redeem its notes in specie*, it must pay interest to the note-holder at the rate of twelve per cent. These amendments were accepted, but the incident had important consequences not then foreseen, and least of all by the advocates of the changes in the charter. It undoubtedly had much to do with stirring up the political struggle for responsible government, which did not end until the partners of the Halifax Banking Company had been deprived of their seats in the council, the old Council of Twelve abolished, and its legislative and executive functions vested in different bodies.

Other amendments, which the Assembly refused to accept, were that the bank should not take real estate as security for debt, that the stockholders in *any* other bank should not be eligible to act as directors of the new institution, that directors should not deal in shares by buying and selling the same, that the operations of the bank could be suspended by proclamation of the Lieutenant-Governor or of the Commander-in-Chief of His Majesty's forces, and that the sheriff could proceed against the persons or goods of stockholders according to their proportion of stock. The Legislative Council, realizing that the supporters of the charter had already succeeded in bringing them into popular disfavour, did not insist on the acceptance of these amendments. Nevertheless the promoters complained that they had suffered injustice from "the Halifax Banking Company, sitting as His Majesty's Council."

Jotham Blanchard, speaking in the Assembly, had already voiced the possibility of a financial filibuster against the subscribers to the new bank by the Halifax Banking Company, though there is no evidence that this was more than the baseless threat of a fighting politician. Nevertheless the course followed by William Lawson and the directors of the new bank, as soon as it actually came into being, bears the aspect, if not

of revenge, at least of anticipating a commercial war. Though the Halifax Banking Company enjoyed the privilege of paying its notes either in gold, silver or treasury notes, it had usually paid them in specie on demand; while the charter of the Bank of Nova Scotia, as amended by the Legislative Council, compelled the latter institution to pay its notes in specie, with interest at twelve per cent. in case of default. The directors of the new bank accepted from subscribers to its stock the paper of the Halifax Banking Company until they had accumulated notes to the value of over £23,000 and then, early in August 1832, demanded payment in specie. The company thus found itself face to face with a demand for the redemption of a large sum in its own paper which it had not sufficient coin to meet. Mr. Lawson no doubt had a double aim. He could at once embarrass the rival institution, or if specie *were* forthcoming, save the expense and trouble of bringing it from Boston and New York, for the redemption of the Bank of Nova Scotia's own notes. Although the Act of Incorporation permitted the Bank of Nova Scotia to include treasury notes as part of its capital, they could not be used to redeem its circulating note issues. Cogswell, on the other hand, remembering that the bank must have in its possession the sum of £50,000 in gold, or silver, or treasury notes, before it could legally commence business, suspected that the notes of the Halifax Banking Company presented for payment were part of the £50,000 which formed the capital of the bank. On August 1st the Bank of Nova Scotia had advertised that the required amount had been paid in, but naturally did not say whether the stipulation of the charter, as to what this sum was to consist of, had been complied with. Cogswell stormed and threatened legal proceedings, demanding to know whether the notes were presented by the cashier of the Bank of Nova Scotia on the order of the president of that institution. Had the Bank of Nova Scotia authorities been willing to admit the act of presentation as the act of the corporate body, Cogswell appears to have

determined to put to the test before the courts the question of whether they were as yet lawfully entitled to commence business. Ultimately more than half of the notes were redeemed in specie, and William Lawson might feel himself well revenged on Cogswell for his supposed revision of the charter of the Bank of Nova Scotia.

An amusing aspect of the strife is the keen delight that both Lawson and Cogswell took in literary composition. The classic standards of eighteenth century prose were well maintained in the series of letters that passed between them during this crisis. In these, without descending to low abuse, they managed to cast serious aspersions on each other's motives, and as models of polite invective the letters, which have fortunately been preserved, and which are freely quoted herein, are well worthy of study.

The Bank of Nova Scotia's charter had been passed on March 31, 1832, and on August 1, as has been said, it had been advertised that £50,000, the required amount, had been paid in. The new bank apparently did not commence to transact business until August 10 and did not open its doors for general business until August 29, according to the following notice posted in the Exchange Coffee Room on August 27:

BANK OF NOVA SCOTIA.

The Bank of Nova Scotia will be opened on Wednesday next, the 29th instant, for general business. The public at the same time are respectfully informed that the Act of Incorporation having made it imperative on the bank to redeem its obligations in gold or silver alone, it is thereby necessarily compelled to decline receiving payments or deposits in *any* notes which are not equally redeemable in specie on demand. It is therefore particularly notified that all business transacted at the bank must be done upon the fullest understanding, that the

above rule will be *invariably pursued*, and that payment will be required either in their *own notes or specie*.

By order of the President and Directors,

JAMES FORMAN,
Cashier.

Halifax, 27th August, 1832.

Yet on August 4, while waiting for the banking premises to be made ready, the directors passed a resolution deciding to "discount to the extent of the province paper now on hand *in order to dispose of the same*." Thus the bank had been engaged in unloading the treasury notes which had come into its possession by paying them out to its borrowing customers, while at the same time refusing to accept them, or the notes of the Halifax Banking Company, on deposit or in payment of any debt due to the bank.

Almost the first official act of the president, William Lawson, was to write a letter dated August 11, 1832, to H. H. Cogswell, with a view to "ascertaining whether an arrangement may not be made with the Halifax Banking Company by which the two may be conducted with mutual harmony and good feeling," and suggesting a daily or other exchange of their respective paper.

Harmony and good feeling, however, did not get far beyond the first paragraph of the letter; for Mr. Lawson proceeded to emphasize the fact that the Bank of Nova Scotia was by law a specie bank only, adding, "The Halifax Banking Company on the other hand professes to be under no such obligation, and acting up to this principle has of late declined altogether to redeem its notes in specie." Therefore, Mr. Lawson, on behalf of his directors, and as a preliminary to any arrangement, demanded from the Halifax Banking Company, an absolute pledge "to pay specie hereafter on all occasions to the holders of your notes when demanded at your bank, without regard to your construction of the notes, as certainly as if it was under the *same obligation* to do so as that by which the

Bank of Nova Scotia is bound." He ended by declaring that he and his directors were influenced by the utmost sincerity and good feeling, and underlined these sentiments.

Seven days elapsed before Mr. Cogswell replied, and at the outset he obviously resolved not to be outdone in politeness. He stated that his company felt "much satisfaction at the assurance of good feeling, particularly as some of the first acts of that corporation [The Bank of Nova Scotia] were calculated to excite apprehensions that very different feelings from those of kindness influenced their conduct. It is certainly pleasing," he continued, "to be assured that a corporation possessing great powers, immunities, and privileges, and comprising persons who can bring so great a strength to the corporation by their private influence exerted in its behalf, professes an intention of exercising its powers with such disinterested moderation, towards a company supposed to stand somewhat in its path."

Mr. Cogswell proceeded to contrast with the above the position of the Halifax Banking Company, as one possessing "no privilege whatever, unprotected by law, and responsible collectively and individually in the whole amount of their property to fulfil their engagement." This was, of course, an echo of the original representations in the Legislative Assembly against the authorization of the bank's charter. He further pointed out that his company was obliged to adopt such regulations for conducting its business as appeared most proper and "conducive alike to the interest of the mercantile community, and the safety of the company. . . . They must depend," he continued, "as they have hitherto done, upon the kindness of their fellow townsmen to support an institution, which has so many difficulties to struggle with. A law prescribes the course you are to pursue, and should your establishment ever prove unfortunate, a great part of its losses will be borne by the public. . . . Taking this view of the subject, it might appear almost as reasonable for us to request you to forego your privileges, make yourselves personally

accountable to fulfil your engagements, and in short to descend from the high ground on which the law has placed you to a footing of fair equality with this company, as that this company should suddenly change its mode of transacting business to meet the suggestions of directors who may not necessarily remain in office a year, and whose arrangements might be disapproved of and annulled by their successors. This company, therefore, decline giving the pledge you require, and must meet, as best they can, the alternative with which you threaten them."

An imputation of unsoundness was hardly calculated to stimulate the sentiments of harmony and good feeling which Mr. Lawson professed at the outset. Another seven days elapsed before the latter replied, on August 25, and in doing so he deplored the imputing of a threat to the Bank of Nova Scotia, and also the "tone and temper" of Mr. Cogswell's letter. Mr. Lawson expressed himself "as at a loss to comprehend the allusion to private influence alleged to have been exercised by the bank's directorate as coming from a company, which, to say nothing of their individual responsibility and rank, possesses itself such extensive influence, and a still more commanding control in a public point of view; supplying as it does nearly a half of one branch of the legislature, and at times a majority of the Executive Council. . . . As little too, it is understood, how those regulations of your company can be deemed conducive to the interest of the mercantile community, by which payments in cash can be, as they have been, suspended wholly at your own pleasure. It was in reference to this anomaly, which they believe without a parallel in the annals of banking, that they submitted to you their proposal; nor did they suppose that there was anything very unreasonable in suggesting that you should respond your own notes in specie which no bank ever before refused."

Mr. Lawson did not leave the grievance he was alluding to, to be "read between the lines." He went on to recite it, by pointing out that, when the Bank of Nova Scotia had

endeavoured to collect the notes of the Halifax Banking Company, payment in specie had been refused, despite the fact that the company was aware that the capital of the bank was required to consist of gold and silver. He admitted that the notes had been paid in as part of the capital, and that they had to be exchanged to make up the requisite sum in specie or treasury notes. "Although the right to pay at your own option could never be conceded to you, yet in this instance no objection was raised, and you were informed that province notes would be received. Your refusal for one whole day and part of the next to pay even these, though no less than five applications were made at your bank, the close interrogation in your private room which the gentleman underwent who first presented your notes, and the intimations of future proceedings before the legislature and the Court of Chancery with which his examination was accompanied, need not now be recalled here at large to your recollection."

Yet Mr. Lawson *was* recalling it to Mr. Cogswell's recollection, and since the threat of legal proceedings had been a tactical error on the part of one whose reputation for "cuteness" was province-wide, it was not likely to sooth his feelings.

A letter from Mr. Cogswell to Mr. Lawson, dated September 1, and written in reply to the latter's communication of August 25, reviewed the whole subject of the delay in payment of the Halifax Banking Company's notes. He intimated that Mr. Lawson's aim had been to require the Halifax Banking Company to supply specie for the Bank of Nova Scotia, which they could do only by importing specie at a heavy loss, or by restricting discounts—a course which would have pressed hard on the mercantile community at a time when the founders of the Bank of Nova Scotia were withdrawing large sums from circulation to form their capital. "To obviate this inconvenience to the mercantile community," said Mr. Cogswell, "this company did encounter the risk and expense which they clearly foresaw might ensue to themselves,



FIRST NOTE ISSUE OF THE HALIFAX BANKING COMPANY

In the collection of The Canadian Bank of Commerce.

and continued to discount chiefly upon province paper. Of its consequences to themselves you are well aware by the demand made upon them by your corporation of upwards of £23,000 at one time." Mr. Cogswell also showed that the demand had been made without notice at a time when his company was unaware that the bank was ready to commence business; that £500 had been paid in specie forthwith, and a further £12,000 in specie, so soon as the copartners, who had control of the vaults, could be brought together. Regarding the payment of the balance in province paper, he said: "To you, Mr. President, it can require no argument to prove the goodness of payment in treasury notes, unless indeed your opinion, with your interest, has recently undergone a change. The anomaly, to which you allude, of this bank adopting a mode of payment different from all other banks took its origin in our wish to conform ourselves to the policy of the legislature which had authorized the emission of treasury notes. Of this system you are supposed to have been an advocate, and at all events have taken an active part in conducting its machinery. This company, not feeling themselves at liberty from private interest to counteract the views of the legislature, or to injure the circulation of its currency, adopted regulations which they conceive have had a beneficial influence in its favour, although in doing so they may have departed from the course pursued by other banks placed in dissimilar circumstances."

In the light of after events, and of the policy which has in later years guided Canadian banks in their dealings with governments, the rebuke which Mr. Cogswell thus administered to Mr. Lawson seems to have been a just one. Mr. Lawson, it must be remembered, was a member for Halifax county in the Legislative Assembly and his voice had never been raised in the House against the issue of treasury notes. In his resentment at what he deemed the undue influence of the Halifax Banking Company in the Legislative Council of the colony, he seems to have given little consideration to the maintenance of the credit of the provincial note issues.

Fourteen days elapsed before Mr. Lawson replied to Mr. Cogswell and then, following the custom of the day, he disclaimed any idea of prolonging the correspondence—as a preliminary to a communication of thirteen lengthy folios! He continued: “The false reasonings and misstatements of facts which pervade your last letter, preclude them [his directors] from permitting it to close the communication,” and once more asserted that at the outset of the correspondence he had been sincerely actuated by good feelings. He reviewed at length the brusque treatment received at the hands of Mr. Cogswell by Mr. Forman, his cashier, and certain directors who had backed him in the demand for £23,000 in specie in settlement of the company’s paper. The relative position of both institutions with the mercantile community which had first been raised by Mr. Cogswell seems to have deeply concerned both, and Mr. Lawson asserted that “the late long continued suspension of cash payments which you labour to vindicate was not the first attempt of the kind made by your establishment. . . . While we survey the disinterestedness which you so anxiously assert has been shown by you in supporting the province paper, we cannot fail observing how remarkably it has happened that in conforming to the policy of the legislature you should have fallen on arrangements *in every way* so beneficial to yourselves. With the right to suspend cash payments at your discretion, the business of discounting might proceed with undiminished profits, though your vaults held no specie—so if, after having driven a great part of the specie from the province and perhaps secured the remainder by deposits and other payments from your customers, the business of the country required a supply of metallic currency, and its importation could only be effected, as you say, at a heavy loss, this potent principle would form a ready and effectual shield to guard *you* against the loss which might be skilfully transferred from yourselves to your customers (perhaps it might be those who had deposited their gold with you) at any moment when you saw

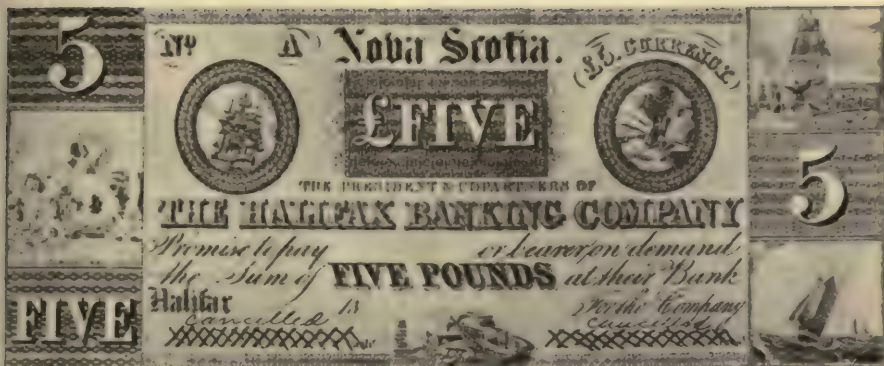
fit to suspend paying specie out in return. But this principle might be brought into yet more direct action—a sudden and well-timed suspension to pay gold might delay the entry of a valuable cargo and give priority of sale to the merchandise of those interested in or assisted by an establishment possessed of this power; or speculators in tea, or other articles for which specie was required, might be driven from the market and more fortunate or more favoured ones left without competitors. Instances might be multiplied without number, but it is unnecessary, for it must be evident that with the means of possessing almost the whole metallic currency of the country, and the uncontrolled power of refusing it in payment of your own obligations, the trade and commerce of the country lay wholly at your feet.” This suggestion, that the Halifax Banking Company might have, and possibly had, exercised their powers in a grossly monopolistic manner to the injury of the mercantile community, was hardly to be borne; yet Mr. Lawson added another thrust by disclaiming any responsibility for the maintenance of the status of province notes, affirming that “if any injury has been done the public in this respect, it will remain to be enquired whether it has not in fact been brought about, in the first instance, by the influence which five of your number may have exerted in His Majesty’s Council, and subsequently the course pursued by your Board.” It will be seen that the political power held by the partners of the Halifax Banking Company was commented on repeatedly by the Bank of Nova Scotia.

Mr. Cogswell’s reply began with a dry allusion to the laborious nature of the previous epistle: “Your manuscript of thirteen pages has, after a lapse of six days from its date, been received.” He also made a satirical allusion to the “amiable qualities which sparkle through your pages. . . . In the first place,” he said, “I would remark that it was unnecessary to have laboured through so many pages and have stated so many circumstances to prove our liability to pay our notes.” A specific charge followed that the bank had “hoarded” the

company's paper "for purposes of annoyance," despite protestations of good feeling, and had endeavoured to coerce the company into furnishing it directly with part of its specie capital and indirectly, through the mercantile community, with the residue.

"Your elaborate display of our powers and the ready means we had of applying them to our own emolument and the prejudice of the community shows great knowledge of the subject, but seems little to the purpose unless you can show instances in which they have been so applied. It is a severe system of ethics which would condemn the mere power to do evil although it has never been exercised. Your reasoning goes to show how you can now act or could have acted in our situation. But we hope and trust that the public opinion will give us credit for having acted upon higher and better principles. That opinion will in future be exercised upon the relative conduct of the two institutions." This was putting the boot on the other foot with a vengeance. Mr. Cogswell also charged that there had been an attempt by Mr. Lawson to cause disunion between himself and his partners, and rose to a flight of literary eloquence in the following: "Are you not willing to sting while you were collecting honey, and are you not bent on keeping up a perpetual humm and buzzing until your cells are filled,—and from other hives. I fear that 'the spirit of candor has grown weary of her charge and left you to the guidance of her stepsister, Misrepresentation'."

He also charged that the bank "discounts upon province paper and refuses the same in payment of debts so contracted." In a brief reply Mr. Lawson denied this charge, though the records of the Bank of Nova Scotia seem to show that it was true in substance. As stated above, the directors had, by resolution on August 4, decided to get rid of their province paper through discount channels, and on August 27 had posted a notice that only specie or notes of the Bank of Nova Scotia would be accepted in payment of any debt due the bank. The rule does not appear to have been as rigidly



NOTES OF THE HALIFAX BANKING COMPANY

(See Appendix XII.)

adhered to as the notice to the public intimated it would be, for in his denial which closed the correspondence on October 3, 1832, Mr. Lawson stated that a note from the house of one of the partners of the Halifax Banking Company had been discounted by the bank and that payment in province paper had been accepted.

Relations between the rival institutions continued to be strained, and the effect on the commercial community was not good. The dispute involving, as it did in essence, the stability of treasury notes, had the inevitable result of depreciating them, and historians state that the effect of the controversy was felt in Nova Scotia for years thereafter. Failing, in 1832, in its attempt to compel the Halifax Banking Company to pledge itself to redeem its paper in specie on demand, the Bank of Nova Scotia, it would appear from the files of the *Novascotian*, also ceased to redeem its notes in specie, and thus both banks practically suspended specie payments. As the only other available currency consisted of the treasury notes of the province, the dispute over which had caused the dead-lock, the community was brought face to face with all the evils of an irredeemable currency. The situation became intolerable, and a committee of the Legislative Assembly was appointed to deal with the subject of the currency. The debates on the subject have the usual political flavour. The one side held that not only the banks but the province should be called on to redeem its note issues, while the other contended that the difficulty was principally due to the establishment of banks. The influence wielded by the Halifax Banking Company, owing to the presence of so many of its partners in the Council, called forth bitter comment, but in the end a bill was passed, entitled, "An Act to restrain the issue of certain Promissory Notes and for other purposes," which incidentally amended the charter of the Bank of Nova Scotia by repealing the clause which required it to redeem its notes in gold or silver on demand, and placed it on an equal footing with the Halifax Banking Company by

enabling it to redeem its paper in treasury notes, if desired. From April 20, 1833, the date of the passing of this Act, the Bank of Nova Scotia was authorized to issue notes redeemable in the same manner as those of the Halifax Banking Company, namely, in gold or silver, or in treasury notes. At the same time an attempt was made to bolster up the credit of the provincial note issues by prohibiting the banks from issuing circulating notes for a less sum than £5. It was thought that the withdrawal of the smaller notes would make room for the whole of the provincial issues then outstanding, and that the forced circulation thus obtained would bring them back to par. Both banking institutions, as might have been expected, experienced a decline in profits when the prohibition of small notes was adopted.

It had been hoped that the legislation making payment in either specie or treasury notes optional would remedy a situation which is best reflected in a notice posted by the Bank of Nova Scotia in February, 1833, two months before relief was granted:

"The difficulty experienced by the public in the present depreciated state of the currency, to obtain specie for payments at this bank, compels the directors most reluctantly to limit that accommodation in their discount which under other circumstances they would cheerfully grant."

The disease, however, was too deeply rooted to be cured by providing a freer circulation of treasury notes, and by 1834 all financial interests were agreed that the best course to pursue was to put banking on a specie basis, and an Act¹ was passed compelling all issuers of notes or bills intended to serve as money or currency to redeem their paper in specie on demand. This Act came into force on June 1, 1834, but treasury notes were specifically excepted from its provisions, and so the problem of the irredeemable treasury note issues was left unsolved. In the meantime the relations between the two institutions had been placed on a rather better footing,

¹ 4 Wm. IV, N.S., 1834, c. xxxiv.

and there had been an effort on the part of both Mr. Cogswell and Mr. Lawson to arrive at some common course of action which would relieve the financial stringency. Mr. Lawson had had the satisfaction of seeing the views he expressed at the outset of the contest given the force of law.

On December 11, 1834, the Halifax Banking Company, which had dealt heavily in treasury paper, felt compelled to announce a reversal of policy in this respect in the following words:

"The Halifax Banking Company, being by law compelled to respond their liabilities in specie without having it in their power to pay any part thereof in treasury notes, are reluctantly obliged to decline dealing in that currency."

The business depression of 1834 in Nova Scotia had other causes besides the weakness of the financial policy of the province and the derangement of the currency through the flotation of almost unlimited amounts of inconvertible paper. A partial failure of the harvests in two successive seasons affected town and country alike. Treasury notes were almost four per cent. or about ninepence on the pound below par, and goods and property of all descriptions suffered a severe depression in value. Cod-fish, for instance, always an important asset of Nova Scotia, had dropped in one year from fifteen shillings per quintal to ten shillings and sixpence. It was natural that bankruptcies should occur, and that even the most solid business men should feel the strain. Then in July, 1834, cholera, the dreaded scourge of all seaports, made its appearance in Halifax. Within three weeks after its discovery in the poorhouse, forty inmates of that institution died, and the Rifle Brigade lost twenty-nine men. According to Campbell's *History of Nova Scotia*,¹ one hundred and three deaths from cholera occurred during the summer of 1834, and as many as eighteen in one day. The plague steadily increased until the early part of September, when cooler weather

¹D. Campbell, *Nova Scotia, in its Historical, Mercantile and Industrial Relations*, 1873, p. 294.

brought relief, and by October the disease had entirely disappeared. Such a toll of sick and dead in a town comparatively small, naturally inspired gloom in the whole community; and though the poor were the chief sufferers, no class was immune. The large population of the poorhouse in a young country, so rich in possibilities, was in itself a sign that all was not well with the body politic. Nor was depression merely a local condition. In 1837, it had become general, and affected the United States and the provinces of Upper and Lower Canada more severely, in a financial way, than Nova Scotia. The old letter files of the Halifax Banking Company are replete with allusions to the financial stringency and general unsettlement of the times.

The opposition to the political power wielded by the partners of the Halifax Banking Company came to a head in 1837. The fact that between 1832 and 1836 five of the partners¹ were members of the Council of Twelve, which exercised both executive and legislative powers in the province, has already been referred to; and it has been pointed out how these powers were popularly supposed to have been used in support of the personal aims and interests of the partners of the Halifax Banking Company. The old Council of Twelve had been established under the instructions given to Lord Cornwallis in his commission as Governor in 1749. There had been a council before, but the number of its members was then increased to twelve, and in conjunction with the Governor, it exercised both executive and legislative functions until the calling of an Assembly in 1758. From that time on it shared

¹The dates of their appointments are given below:

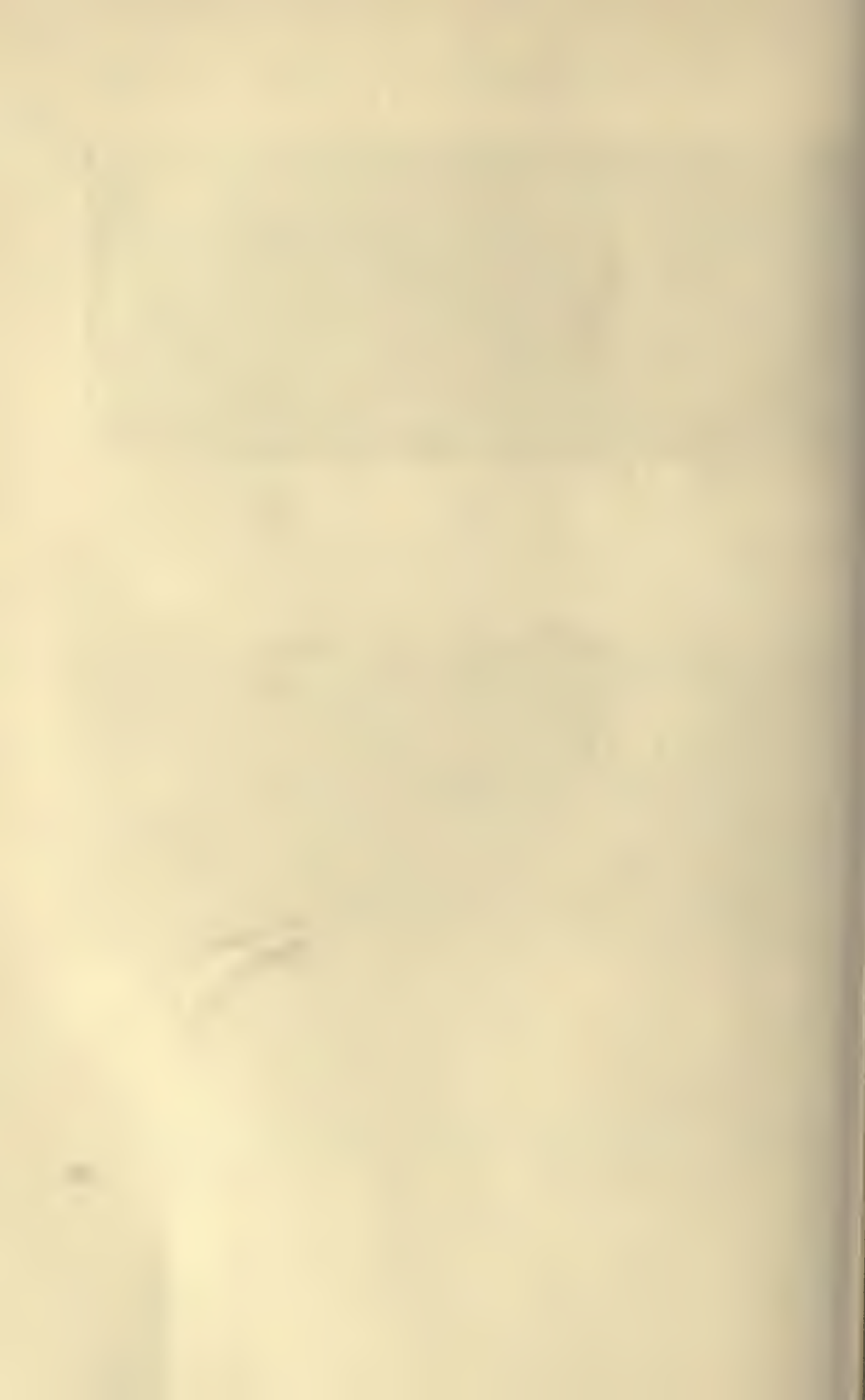
Hon. Enos Collins.....	1832
Hon. Samuel Cunard	1831
Hon. H. H. Cogswell	1832
Hon. Joseph Allison	1832
Hon. James Tobin	1832

The first and third of these gentlemen were retired by Lord Falkland on his assuming the Government in 1840. The Hon. James Tobin died in 1838, and the Hon. Joseph Allison in the following year. The Hon. Samuel Cunard retired from the partnership in 1836.



NOTES OF THE HALIFAX BANKING COMPANY

(See Appendix XII.)



its legislative functions with the Assembly, but continued an executive body, as before. This combination of duties thrust much power into its hands, especially as it controlled the appointments to the most desirable and lucrative local offices. Accordingly many occasions of strife arose between the two bodies. Many prominent members of the House of Assembly had on various occasions sought to curtail the extraordinary powers of the governing oligarchy, but nothing definite had been accomplished before 1830, about which time Joseph Howe, thereafter to be known as the "great tribune" of Nova Scotia, began to take an active part in the discussion of political matters in his newspaper, the *Novascotian*. It is not the part of this history to follow his career through the famous libel case against the magistrates of Halifax, which gave him such a conspicuous place in the eyes of his countrymen and which led to his triumphant election to the Assembly as one of the members for Halifax at the election of 1836. Hardly had he taken his seat in the House at the opening of the session of 1837, when he began the fight for responsible government, which was to end not many years later in a full measure of success. His proposals for reform were summed up in his famous "Twelve Resolutions," the seventh of which repeated the old argument as to abuse of their political power by the partners of the Halifax Banking Company who had seats in the Council, and ran as follows: "Resolved, that two family connections embrace five members of the Council: that, until very recently, when two of them retired from the firm, five others were copartners in one mercantile concern; and to this circumstance may be attributed the failure of the efforts of this Assembly to fix a standard of value and establish a sound currency in the province." There was, of course, no glimmer of doubt as to the men at whom this resolution was aimed. Had any been possible, Howe's speech in support of the resolution named the Halifax Banking Company itself. He said on this occasion:—

"By the seventh resolution, I have stated that 'two

family connections embrace five members of the Council; that, until recently, when two of them retired from the firm, five others were copartners in one mercantile concern.' To be sure this is not quite so bad as the council which formerly existed in what is now the State of Maine, composed entirely of one family—or equal to some of the Irish corporations, constructed on a similar principle; but it is bad enough. It is melancholy to reflect that the views of fifty men chosen by the people of Nova Scotia, may, after a month's grave deliberation, be defeated, whenever the Council is not quite full, by a combination of two families. Then, until recently, the old Banking Company had the same power, and exercised it too, on more than one occasion. And, sir, whenever in private conversation I have supported the application of the elective principle to the upper branch, and have been told of the paucity of materials, and want of judgment and discretion on the part of the people, I have pointed to these five copartners, and asked triumphantly if the people would ever have committed such a blunder as that? No, sir; though, if they had the power, they might, as they sometimes do in organizing this Assembly, make a foolish selection, they would never be guilty of such absurdities as these. Think you that they, had they wanted a legislative body composed of twelve, would ever have gone down to the Halifax Bank and selected five out of eight of its partners? It is true, that, since they quarrelled among themselves, two of them have retired from the firm; but for years the whole five sat at the council board, and the effect of their legislation on the currency, and on the repeated decisions of this House, I need not take the trouble to explain. Sir, I do not wish to be personal; it has never been my desire unnecessarily to annoy; I never strike a blow that is not called for by a public necessity; but I do not hesitate to affirm my own belief, that, had it not been for the presence of those five bankers in the Council, we would not now have been left without any standard of value in the country and with one currency for the rich and another for the poor. Three of

those copartners are still members of the Council; they compose one-fourth of the whole body; and members, to satisfy their minds of the magnitude of this grievance, need only enquire whether the people would have been mad enough to choose one-fourth of this Assembly—twelve out of the forty-nine—from one moneyed institution. And if they had done so, would we not view with jealousy and suspicion all that those partners said and did in this Assembly? When they were wrong, we should attribute to them selfish motives and give them no credit when they were right. To this fate are the bankers in the Council condemned and their continuance there is a practical and notorious evil. If I am not reasoning justly from admitted facts, let the older members of this Assembly correct me. Upon this theme I have often listened to the indignant eloquence of some of them. The present Judge Bliss—than whom no man was more capable of forming an opinion—who is now an ornament to the bench, as he was then of this Assembly, said in 1833 ‘that the combination of bankers in the Council would be fair ground for suspicion, even if nothing could be charged against them; but, in the face of acts so daring and injurious, who could reflect upon the matter without the most serious apprehension?’ If upon these matters I came here merely to excite suspicions and create useless agitation, I should be ashamed to occupy the time of this Assembly, but, sir, I give you as proofs that this is not the case, the public declarations of senators and judges, some of the ablest men in your country, and if I am labouring to deceive you, they have taken great pains to deceive us all.”

It has not been possible to discover all the facts as to the two family connections referred to by Howe. The Hon. Enos Collins had married a daughter of the Hon. Brenton Halliburton, and the Hon. Joseph Allison was both nephew and son-in-law to the Hon. Charles R. Prescott, all these men being members of the Council at the time when Howe spoke. Possibly the Hon. H. H. Cogswell may have been the fifth member of the two family connections, as he is said to have

been distantly connected with the Allisons through his brother's wife. Howe also appears to consider the retirement of the Hon. Samuel Cunard and the Hon. Joseph Allison from the partnership in September, 1836, as having been due to a quarrel among the partners. Of this there is no trace in the records of the Halifax Banking Company.

The outcome of Howe's "Twelve Resolutions" must now be told as briefly as possible. The speech from which extracts have been quoted was delivered on February 11, 1837, and the resolutions were duly passed by the House. Strong objection was taken to them by the Council, particularly to the one quoted above, and it was intimated to the House that if the resolutions were persisted in, the Council would refuse to pass the supply bills and thus leave the province without that part of the revenue which was used to carry out public works and improvements. Howe saw that the work of the resolutions was done. The question at issue had been brought plainly before the people of the province and he moved that they be rescinded. This took place, and then towards the close of the session, when the supply bills had been passed, he moved an address to the Crown in which was embodied the substance of the resolutions. Thus outgeneralled, the Council also prepared an address setting out their side of the case, and both were forwarded to the Colonial Office. Lord Glenelg, then at the head of that office, listened to the complaints of the Assembly and sent out instructions to the Lieutenant-Governor, Sir Colin Campbell, in August, 1837, to appoint a Legislative Council of nineteen members, to perform the legislative functions of the old Council of Twelve, and a new Executive Council of the old number, choosing its members from all parts of the province and from the recognized leaders of the people. The Legislative Council was henceforth to sit with open doors. This was the situation at the opening of the session of 1838. Four members of the Executive Council, Messrs. Dodd, Uniacke, Huntingdon and De Wolfe, had been chosen from the members of the lower House, while two or

three others held seats in the new Legislative Council. Early in March of that year the commission issued to Lord Durham as Governor-General was made public, and it was found that his instructions had been framed without reference to those given to Sir Colin Campbell, and that the former called for an Executive Council of only nine members and a Legislative Council of fifteen. The two Houses were then prorogued, the two councils dissolved, and new ones appointed by proclamation in their stead. When the latest appointments were made known, it was seen that the majority were strong upholders of the old order of things. During the following year, delegates were sent by the rival bodies to England, to present their views in this way before the Colonial Office, but no progress was made in the direction desired by the Assembly.

The next move was made during the session of 1839-40, when Howe brought forward a resolution of want of confidence in the Executive Council. He now admitted that the influence of the Halifax Banking Company had been neutralized and that nobody any longer feared it. The constitution of the Legislative Council was held as of very little moment if that of the Executive Council could be changed to represent the will of the House of Assembly, as the Executive controlled the appointments to the Legislative Council. The struggle was now turning more and more to the clear-cut issue of responsible government. Sir Colin Campbell refused to forward the resolution of want of confidence to the Colonial Office, which, he said, had just come to a decision on the grievances complained of, and he added that he was quite satisfied with his Council. After some further communications had passed between the Lieutenant-Governor and the House, the radical step was decided on of an address to the Crown, reciting what had passed between the Governor and the Assembly and praying for the removal of Sir Colin Campbell. This was in the summer of 1840 and great excitement was caused in the province when the bold step of the

reform party became known. However, in September, a new Lieutenant-Governor arrived in the person of Lord Falkland, and the instructions he had received became known when only a few days after he reached Halifax he sent for the four members of the Executive Council who held seats in neither branch of the legislature, Messrs. Enos Collins, H. H. Cogswell, M. Tobin and C. R. Prescott, and notified them that they must retire. Messrs. Joseph Howe, James McNab and J. B. Uniacke,¹ the leaders of the popular party, were appointed in their stead. Thus closed this famous struggle in so far as the partners of the Halifax Banking Company were concerned.

During the disastrous panic of 1837, which extended all over the continent, the two Halifax banks again suspended specie payments for a short time, following the lead of the banks in the United States and of those in New Brunswick and in Upper and Lower Canada. This suspension lasted two or three months only, when a return to the original basis became necessary and advisable. By this time the old wounds had seemingly been healed, if not forgotten, and the records show that, in this crisis, the relations between the Halifax Banking Company and the Bank of Nova Scotia had reached the more friendly character which has since prevailed. An echo of the old differences is, however, to be found in a letter from the Bank of Nova Scotia, dated January 28, 1839, in which it is stated "I cannot consider the province notes you send a payment, and I hope you will in the morning make it unnecessary for me to apply to our Board for instructions regarding it, by taking the province notes and giving me credit for the amount in the usual way." The changed state of relations was, however, shown by the fact that ultimately the Halifax Banking Company agreed to pay the amount in question (\$3,000) in any manner desired, and the Bank of Nova Scotia on the other hand offered to accept settlement in

¹Mr. Uniacke had a few months before resigned his seat in the Executive Council to which he had been appointed by Sir Colin Campbell in 1837.

any form tendered. There is no record of what form the settlement took.

The capital stock of the Halifax Banking Company had in 1832 been increased to £80,000, but in 1836 was reduced to £60,000, of which £21,000 is described as paid up, in the partnership deed of that year. This reduction was effected by the withdrawal from the partnership of Samuel Cunard and of Joseph Allison; the remaining six original partners, Henry Hezekiah Cogswell, Enos Collins, William Pryor, James Tobin, John Clark and Martin Gay Black, continued the business. An agreement entered into with the Hon. Samuel Cunard in 1838, two years after his retirement from the partnership, provides for the payment to him of £650 in full discharge of his share of the unliquidated assets of £5,311 odd, and acquits him of any liability to return the sum of £1,000 received by him as his proportion of outstanding notes. As he was then endeavouring to raise the necessary capital to found the Cunard Line and obtain from the Imperial Government the contract for the carriage of the transatlantic mails, we may surmise that he welcomed a cash settlement of his interest in the partnership, even if it involved a slight reduction from the nominal amount of his claim of one-eighth.

Shortly afterwards, upon the Bank of British North America establishing a branch in Halifax, Mr. Cunard became a resident director. The advent of this bank is said to have further reduced the profits of the two institutions already in the field, but their vitality was proven by their survival into the twentieth century.

Mr. Cunard was already maturing in his mind the projects which were to make his name immortal in the history of Atlantic shipping and to give permanent importance to his native city of Halifax. As early as 1833 he had had the task of distributing the British mails to their various destinations in Canada, the United States, Newfoundland and Bermuda, after they arrived at Cunard's wharf in the old-fashioned "ten gun brigs." His real opportunity came in 1838 when the

British Admiralty called for tenders for a steam packet service to carry Her Majesty's mails on the Atlantic. Not a single steamship owner in Great Britain would tender. Cunard went abroad, and after rebuffs in many quarters, succeeded in interesting the famous Clyde shipbuilder, Robert Napier. The result was the formation, in 1839, of the British and North American Royal Mail Steam Packet Company, for which a capital of £270,000 was raised in a few days. Thus the still famous "Cunard" line had its birth. By its contract with the British Government it was to have three good and sufficient steamships, not less than 200 feet long, on the seas by the middle of 1840.

In Halifax his success was the subject of great rejoicing, and on receipt of the news of the signing of the contract, an enthusiastic public meeting was held, at which the enterprise of a fellow townsman was generously acclaimed. Not the least enthusiastic were his old associates of the Halifax Banking Company. The arrival of the "Britannia," the first of the fleet, on July 17, 1840, was the occasion of a great public ovation to him. No less marked was the enthusiasm at Boston, the "Britannia's" second port of call, when she arrived with Mr. Cunard on board. A great public banquet, over which Josiah Quincy presided, was attended by 2,000 Bostonians, and Mr. Cunard was hailed as a public benefactor. Such a tribute to Haligonian enterprise caused extreme delight in Halifax, and her citizens might well feel that Mr. Cunard had raised their town to international fame. A few weeks prior to the first voyage of the "Britannia," there had also been rejoicings in Halifax over the arrival from Scotland of the "Unicorn," another Cunard steamer which was assigned to carry mail from Halifax to Quebec city, in this way improving communication with the Canadas. Naturally, the new Atlantic mail service had an important significance for the Halifax Banking Company, which was thus enabled to facilitate its growing overseas connections. As early as 1830, the bank had as financial agents in London, Messrs. Munson and



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Barnard, later, Barnard, Adams and Company, and Messrs. Brown, Danson, Willis and Company. These were firms of merchants and shipowners which, according to the custom of the time as depicted in such novels as Dickens' "Dombey and Son," also carried on a business in exchange. In 1833, the records show that George Wildes and Company,¹ American agents, of 19 Coleman Street, also were acting as London agents for the company.

In 1837 the Halifax Banking Company had obtained an important banking connection in the British West Indies, business with which has for many years figured very largely in the operations of financial institutions in the Maritime Provinces. On June 6, of that year, the Colonial Bank, a London corporation which was just then being established, and which has since acquired extensive interests in the West Indies and the Carribean Sea, wrote to Mr. Michael Tobin, one of the partners of the Halifax Banking Company, appointing his firm, James and Michael Tobin, their agents, and authorizing him to place the agency permanently with the Halifax Banking Company. By this arrangement, the managers of the Colonial Bank in the West Indies were empowered to draw on the company at thirty days sight in current dollars, and the company was to reimburse itself by drawing on the Court of Directors of the Colonial Bank in London. The managers of the Colonial Bank were also directed to send all bills on Halifax to the company. A commission of one-half per cent. on each transaction, with a provision for brokerage charges, was agreed on, and it was arranged that the Halifax organization should keep the managers in the West Indies supplied with all information that might be useful to them. This included advices regarding the money market and its fluctuations, such as the value of doubloons, sovereigns and British silver; information as to the ruling rates of exchange with Europe, as well as with

¹This was one of the three large London firms closely connected with the American trade, known as the "three W's." See p. 194.

Newfoundland, Canada, and the other provinces of British North America, in addition to New York and the chief centres in the United States. The Halifax Banking Company, in short, was to be the principal medium of financial communication between the Colonial Bank's West Indian organization and the outside world.

The importance of the new connection could hardly be over-estimated. The Colonial Bank proposed to cover a wide extent of territory, which was divided into three main districts:

Barbados, with its branches, including British Guiana, and the British islands south of St. Thomas.

St. Thomas, comprising the adjacent foreign islands of St. Croix and Porto Rico and the principal places on the Spanish Main.

Jamaica, including Kingston and the other branches on the island.

It may well be imagined that this agreement gave great satisfaction to Enos Collins, the old seafarer, who had traded in all these ports, and who now saw the bank which he had been instrumental in founding, equipped with a network of connections extending all over the scene of his early exploits.

From the voluminous correspondence which has been preserved, it may be gathered that the business of the Halifax Banking Company was carried on in the name of the President and copartners. The Colonial Bank was instructed in 1837 that, as the Halifax Banking Company was "in the nature of a joint stock company and each and all of the copartners liable for its engagements," they should endorse bills payable to the Hon. H. H. Cogswell, President, "as otherwise the endorsement of each copartner might be necessary in the negotiation of such bills. Drafts might, however, be drawn on the Halifax Banking Company."

In response to an enquiry from the secretary of the Colonial Bank, as to whether there was any way in which

surplus balances which might accumulate in Halifax could be employed profitably and at the same time with safety, Mr. Cogswell wrote: "Unfortunately there is no mode here existing of investing spare capital to produce on interest and at the same time to be available when required. The banks allow three per cent. interest upon deposits which shall remain three months or upwards untouched, fifteen days' notice afterward to be given before it can be drawn out, and if drawn out sooner than three months, no interest to be paid. This mode of investment, therefore, is not calculated to answer the purpose of dealers in exchange."

The book-keeping in connection with the West Indian business presented certain difficulties, owing to the different currencies involved and their fluctuations in value. The old letters passing between Halifax and the West Indies teem with allusions to the question of exchange. The following extract from a letter to the London office of the Colonial Bank, dated January 11, 1838, indicates also that the rebellion of 1837 in Upper and Lower Canada, though it had not spread to Nova Scotia, was not without its effect on the business of the Halifax Banking Company:

"We have drawn on you for \$203.19 at fifteen per cent. premium, a declension of two per cent. in the premium since we advised you in October last. There is a strong probability, amounting almost to a certainty, that the premium will rapidly and greatly further decline, as it has done in the United States. We are also likely to be much affected in exchange by the unsettled state of our affairs in Canada, which will probably occasion large expenditures and less demand for bills, as the trade will for a time be injuriously affected by the agitated state of that country."

The currency problem is illustrated in another letter to London written a few days later, in which Mr. Cogswell states, "In the unsettled state of our currency the most perfect standard rate of payments is the patriot doubloon at sixteen dollars each, which is usually resorted to when any

difference of opinion exists in relation to the value of coins when drawing or paying bills. . . . We have observed latterly that doubloons have generally been preferred by our merchants to bring from the West Indian Islands to this place."

Mr. Cogswell was also obliged to remind his correspondents, in a letter referring to a draft made payable in doubloons or their equivalent, that, owing to "the fact of our market being wholly supplied with its precious metals from foreign parts, our only alternative when there is much demand for gold is to remit bills of exchange to the United States and import at a loss of from three to five per cent., according to the premium on bills in each country."

During 1839 the financiers of Halifax were deeply concerned over the dispute as to the boundary between Maine and New Brunswick, which had led to overt acts of hostility among the settlers. It was necessary to send the 69th Regiment from Halifax and there was natural apprehension that war with the United States would ensue. In April, 1839, however, the Halifax Banking Company was able to report to its West Indian correspondents that "our border questions are for the moment at rest and further movement seems to depend on the light in which American cupidity will be regarded by the authorities of Great Britain."

The following quotation from a history of the Bank of Nova Scotia published some years ago throws light on conditions that were common to all banking at the time: "In a letter to the cashier, dated 10th February, 1840, the Pictou agent writes, 'Gather all the sterling money you can for me and I will make some person going down with a sled call for it as soon as the sleighing is good'."¹ British silver was meant by the "sterling money" mentioned; it was scarce at the time and difficult to obtain in sufficient quantity to pay the miners at Pictou. The above instance well illustrates the earlier methods of transferring specie from one point to another. Coin would be sent by schooner, stage, sled or other

¹*History of the Bank of Nova Scotia, 1832-1900*, p. 48.



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conveyance, and faith in individual honesty seemed to be a good substitute for the security now afforded by the express companies—at least we do not know of any loss to the bank through a breach of such confidence.¹

In the “thirties” Boston was the only financial centre reasonably near to Halifax, but the mails were infrequent and sometimes irregular, and often the bank was able to send a second letter by the same mail boat because it had been detained. The Halifax Banking Company were in the habit of drawing on their correspondents there at ten days sight and sometimes even at twenty and thirty days sight. Doubloons were brought from Boston in private schooners when the mail boats were not available. On one occasion the delivery of doubloons is delayed because the schooner is placed in quarantine, but the doubloons “will no doubt be forthcoming in a day or two.” At least one of the mail boats, the “Lady Ogle,” belonged to the Hon. Samuel Cunard and special freight rates were secured when she happened to carry the doubloons. Once when the “Cordelia,” which sometimes alternated with the “Lady Ogle,” proceeded to Newfoundland and was unable to return for several weeks, the instructions to Boston were that if they were too late for the “Lady Ogle” they were to “forward the specie by any good safe vessel or vessels that may first offer, the master being also a sober and trustworthy person.”

Even as late as the “fifties,” communication by mail with the United States had not improved to any great extent, as is to be gleaned from the following extract from a letter written by the Halifax Banking Company to Corning and Company, bankers, New York, in April, 1858:

“Between four and five days being at all times the rate of mail travelling between St. John and Halifax, ten days more are required from Halifax to New York, and if you put these two measures of time together you will perceive that there is not any time lost in the transaction.”

¹ See p. 184 *et seq.*, and Appendix VI, p. 448.

Nor were the mails to and from the West Indies any less uncertain in these early days. We find a complaint from Mr. Cogswell that a letter dated at Kingston, Jamaica, on April 5, 1838, had only reached Halifax on June 14, coming via Quebec and New Brunswick, and he urged that the "Elizabeth"¹ route was the most expeditious way of conveying intelligence to Halifax.

What the establishment of the Cunard mail line meant to the business men of Halifax, at least in anticipation, is shown by the following letters to the manager of the Colonial Bank at Barbados in April, 1839: "We learn that one of our merchants has entered into an extensive contract with the Government at home for the transmission of mails by steam, twice in each month. . . . Thus will our port be made to England what Ireland was a few years ago, in point of facility of access and promptitude for intelligence. Within fifteen days our London friends may know what we are doing here and in thirty days from an invitation, an individual may be on the spot to answer for himself."

Though it brought high hopes to Halifax through the inauguration of the transatlantic mail service, the year 1840 had, as has already been recounted, given a severe set-back to the political influence of three of the most important members of the Halifax Banking Company. The loss of this influence became apparent a few years later. In May, 1845, the Halifax Banking Company learned that the provincial treasury had deposited from fifteen to twenty thousand pounds in the Bank of British North America and the Bank of Nova Scotia, their own institution being ignored. On May 29, a protest was sent to the Provincial Secretary, Sir Rupert D. George, Bart., which he was asked to lay before the Lieutenant-Governor: "It was perhaps not explained to His Excellency," wrote Mr. Cogswell, "how injuriously this preference given to these two banks to the exclusion of the

¹The "Elizabeth" was evidently a schooner plying between Halifax and the West Indies, as she is mentioned in other letters.

other, would operate against the interests of the omitted bank. The Halifax Banking Company consider that it is merely necessary to mention the circumstances to induce His Excellency to place the Halifax Bank upon the grounds of perfect equality with the others." The reply of Sir Rupert, on behalf of the Lieutenant-Governor, was a direct refusal. "I am instructed to acquaint you," he said, "that having in a case of peculiar emergency, made such temporary arrangements as seemed to him most efficient for public service, His Excellency cannot, at present, alter these arrangements."

Three years later the Halifax Banking Company was enabled to make a neat rejoinder. In August, 1848, the Government of the province finding difficulty in providing funds to meet the withdrawals from the Government Savings Bank, the treasurer of the province, Samuel Fairbanks, wrote to the Hon. H. H. Cogswell, president of the Halifax Banking Company, desiring to borrow from the company to replenish the provincial treasury. His letter commences as follows:

"I am authorized by the Government to open a cash account on behalf of the province at an interest of not more than five per cent. with one or more of the banks in Halifax to the extent of one thousand four hundred pounds, being the amount called for by depositors in the Savings Bank, and the state of the treasury not admitting of any advance therefrom." A postscript added that "I have sent a similar communication to the other banks." Mr. Cogswell's reply was in part as follows: "Permit me to assure you that it would afford the Halifax Banking Company very great pleasure to afford the Government the accommodation they require, but never having been made the depositories of the public funds nor even applied to on such occasions, their coming forward now to open a cash account with the Government would cause surprise and perhaps bad feeling on the part of the other banks. Besides, this company have hitherto confined their operations to the strict objects of a banking company. The company beg to express their thanks for the impartial notice

which they have now received." The solicitude which Mr. Cogswell expressed as to the susceptibilities of other banks must have caused a smile even among the administrators to whom he was addressing the retort courteous.

From 1840 onward, the character of the bank's business remained more or less fixed, the old inconvertible treasury notes, which were not really put out of the way until after Confederation, giving occasional trouble. The partnership agreement was renewed from time to time, and new names were substituted for the old, but for the most part such changes were a continuation of the family interest, as a partner died, or decided to retire from the business.¹

The year 1851 saw a development of modern office methods which, though small in itself, must have made an enormous difference to the clerical staff. Prior to that date all the voluminous and growing correspondence of the company had to be copied by clerks before mailing. On November 28, 1851, was installed the first press-copy letter book of which there is any trace in the company's archives, although the Colonial Bank had adopted this labour-saving device at its Jamaica branch at least as early as 1847.

The "fifties" witnessed the death or retirement of three of the men who had been active in the founding of the Banking Company, two of whom had been at the helm in the stormy days of its early career. Henry Hezekiah Cogswell, who had steered the company through many a dangerous channel, and who was admired for his ability, astuteness and brilliant intelligence, died in 1854. He was succeeded as president by William Pryor, one of the original partners, who had been vice-president since its foundation. Mr. Pryor was gathered to his fathers in 1859; and Martin Gay Black, another of the original partners, succeeded him. Enos Collins decided to retire from active business in 1859, though he survived until November 18, 1871. He was born at the inception of the American revolutionary war, and could remember all the

¹See Appendix III, p. 430 *et seq.*

incidents of the French revolution, the successful struggle of Spanish America for freedom, and the Napoleonic wars—a stupendous series of events that changed the course of history for all time. About the time of his retirement from the Halifax Banking Company, he made an ancillary will in New York, disposing of large properties in that city and in various parts of the United States. The value of his estate at the time of his death occasioned a good deal of discussion, but in those days there were no succession duties to cause a probe into values. His estate was variously estimated at from six to nine million dollars, an immense fortune for those times.

When Mr. Black became president in 1859, he was the sole survivor of the original partners. In the partnership deed of that year the capital stock was fixed at £50,000, shares of £10,000 each being held by Mr. Black and by three sons of the original partners, namely James C. Cogswell, Brenton H. Collins and William Pryor. The balance was divided equally between Captain N. T. Hill, the original cashier of the company, and his son P. C. Hill, who were now admitted as partners. P. C. Hill had married a daughter of Enos Collins, so that the interest of the Collins family in the bank was a little less than one-third of the total capital.

In 1850, the great banking firm of Coutts and Company began to act as London agents for the Halifax Banking Company, and in 1852 the Liverpool Union Bank acted in a similar capacity at Liverpool. In the same year the Bank of the Republic, New York, made an effort to secure the agency of the Halifax Banking Company in that city in succession to Robert Kennedy and Company, a noted Wall Street firm. The death of the senior Kennedy seems to have aroused hopes in the management of the Bank of the Republic that the business would be transferred to them, but when the younger Kennedy decided to carry on the business, Mr. Cogswell and his partners resolved not to desert old friends, though expressing their willingness to render any service to the Bank of the Republic that lay in their power. In the

"fifties" a connection with the Halifax Banking Company seems to have been coveted, for in 1854 the records show that the old firm of Henry Chapman and Company of Montreal had tendered their services and were appointed agents in that city.

Business with the Liverpool Union Bank was very brisk in 1857, and many drafts and considerable shipments of specie passed to and fro. In a covering letter dated June 18, 1857, the president wrote: "I am desired by the Board to say that, owing to the difficulty the Halifax Banking Company meet with occasionally in procuring Government or other exchange to remit, they would enquire whether if required your bank would be disposed to extend their credit. The Halifax Banking Company have no other agents on your side of the water and have been well satisfied with the manner in which their business has hitherto been transacted." This request seems to have brought in reply a suggestion that the Halifax Banking Company give the Liverpool Union Bank a fuller statement of its affairs. The answer was a dignified refusal, in which it was explained that the extension was suggested because of the uncertainty of obtaining bills at the sailing of steamers, whereby an opportunity might be lost when most required. By an extension of their credit, it was expected that some advantage might be gained in purchasing Government or other bills on the most desirable terms. "With respect to an exhibit of the affairs of the company," wrote Mr. Pryor, the new president, "I beg to remark that it is not a chartered company, but the bank stands upon the same footing as any mercantile partnership, each of the members being jointly and severally liable to the whole extent of his means for the debts of the firm. They have done business upon this joint and individual responsibility since 1825, and their affairs have never been made public more than those of any ordinary partnership. The partners are well known, and on the death of any one of them it is provided that the company shall not be broken up or the business discontinued thereby. Since the commencement of business by the

Halifax Bank with the Union Bank, Hon. Mr. Cogswell has been removed by death. His son, Mr. James C. Cogswell, then was admitted a partner, and the signatures of the then partners were forwarded to you in a letter dated 1854, a copy of which is herewith enclosed. Since that time Mr. Brenton Collins, son of the Hon. E. Collins, has also become a partner and his signature has been appended to the copy of the said letter." It will be seen that after thirty years the company still adhered to the position that the names and wealth of their partners offered the best of all guarantees to the public. Whether such an answer would have satisfied a modern banker is doubtful, but it was effective with the Liverpool Union Bank, which promptly increased their credit from £10,000 to £15,000.

An event which caused almost as much rejoicing as the opening of the Cunard mail service in 1840 was the completion of the first railway in Nova Scotia during 1858. As early as 1839 a short railroad, said to be the first built in Nova Scotia, had connected the Albion coal mines with what was known as the Loading Ground some six miles away in Pictou harbour, but it was not until 1855 that Halifax had any rail connections with other places, and then only with Windsor and Truro. By the energy of the Hon. Joseph Howe, one of the most progressive men of his day, and a public leader of rare power and distinction, the railway was extended to other important points, as far as Pictou and the frontier of New Brunswick, and ultimately to Yarmouth in the opposite direction. Howe had resigned the position of Provincial Secretary in 1854 to become Commissioner-in-Chief of the Railway Board, for the express purpose of pushing the project. A few years later it was to prove an effective nucleus for the Intercolonial Railway system, which the statesmanship of Dr. Tupper¹ secured as a condition of Confederation.

In 1859 one part of the currency problem, which had added materially to the minor technical difficulties of banking,

¹Later the Rt. Hon. Sir Charles Tupper, Bart. See p. 132 (note) and p. 319.

was solved by the passing of legislation to establish the decimal system of accounting in the province. The first Act was passed on April 15, 1859, and went into force on January 1, 1860, but was repealed the same year, and replaced by "An Act to regulate the Currency and the Decimal System of Accounting," passed March 31, 1860. At that time sovereigns, doubloons, Peruvian, Mexican and old Spanish dollars, and silver coins of the United Kingdom were all legal tender. The value of treasury notes of twenty shillings was fixed by the Act of 1860 at four dollars; the copper pence and half-pence heretofore issued by the province were called in, and cents and half cents were made legal tender to the amount of twenty-five cents. The measure was welcomed generally, but especially by the Halifax Banking Company, for it simplified their dealings with their large clientele in the West Indies, and their numerous transactions with American firms. Still in their balance sheet for December 31, 1860, they reckon their assets and liabilities in pounds, shillings and pence. The figures are given below:

LIABILITIES.

Notes of the bank.....	£ 36,723	0	0
Deposits			
Demand.....	£23,154	4	11
Payable after notice			
(bearing interest). 34,478	9	10	
		57,632	14 9
Due other banks in Nova Scotia.....	4,295	19	5
Due other banks in Canada.....	668	9	0
Due other banks elsewhere.....	9,137	6	0
Bills of exchange.....	10	11	1
		£108,468	0 3
Dividend No. 34.....	1,221	4	11
Capital.....	30,000	0	0
Rest.....	5,000	0	0
Profit and loss account.....	1,777	6	7
		£146,466	11 9

ASSETS.

Cash on hand.....	£ 30,775	8	8
Due by banks in Nova Scotia.....	1,866	3	8
Due by banks elsewhere.....	2,179	9	6
Advances.....	111,645	9	11
	<hr/>		
	£146,466	11	9
	<hr/>		

The later "fifties" and "sixties" saw a rapid increase in the number of banking institutions in Nova Scotia. The Union Bank of Halifax came into being on March 31, 1856, with an authorized capital of £250,000; the Bank of Yarmouth followed in 1859 with an authorized capital of £50,000; five years later, the People's Bank of Halifax was incorporated with a capital of \$400,000, which was subsequently doubled. The Commercial Bank of Windsor was the next to enter the field, in April, 1865, with an authorized capital of \$200,000. The Exchange Bank of Yarmouth received a charter in May, 1867, with the same amount of capital. The Merchants Bank of Halifax was incorporated in 1869 with a capital of one million dollars. Thus it will be seen that as early as 1870 Halifax and her sister towns were amply supplied with banks.

Halifax, because of its position as a seaport, had always prospered in time of war, and this was again proved when the American Civil war broke out in 1861. After the Union announced its blockade of the Confederacy, Halifax became the chief base on this continent of a large contraband trade with the South. Many cargoes were sent to Nassau, in the Bahamas, where the blockade runners, commissioned by the Confederate Government, would pick them up. These cargoes were highly profitable, and were paid for in gold through the financial agents of the Confederacy in London, who obtained large credits based on the shipments of cotton which the South constantly succeeded in sending to sea, despite the vigilance of the Northern navy. The hardihood and enterprise of the

Nova Scotian sailors were also shown by their adeptness at running the blockade of the ports of the South. Water carriage was cheap and vessels from Halifax, laden with cargoes of manufactured goods, sometimes taken on at their home port and sometimes at Liverpool, would return laden with cotton, which cost sixpence per pound and was afterwards sold in England at three shillings and sixpence. Naturally these large profits so quickly earned brought prosperity to a community whose interests were so bound up with shipping.

The Fenian troubles which followed the American Civil war in 1866 seriously alarmed Halifax, although they did not extend to Nova Scotia. As a precautionary measure the banks for a time placed their reserves of gold in the citadel for safe-keeping, and so great was the apprehension of the public that a run on the savings branch of the Halifax Banking Company ensued. This was met by paying out provincial treasury notes, confidence in which seems to have been in a measure restored.

In 1861 Martin Gay Black, the president, and the last of the original partners, passed away after thirty-six years' continuous connection with the company, for the last two of which he had been president. Mr. James C. Cogswell, son of the first president of the company, succeeded him as president, and held the office until his death on May 3, 1867, on board the Royal Mail steamer, "China." Mr. Cogswell was returning from a visit to England, when a sea broke over the vessel, killed him, and carried a sailor overboard. He was in turn succeeded as president by Wm. Pryor the younger, who held the office until incorporation and became the first president of the incorporated bank. Captain N. T. Hill, the veteran cashier, who had opened the first set of books in 1825, retired in 1869, and the partnership now resolved itself into three members, William Pryor, Brenton Halliburton Collins and Philip Carteret Hill, who each held an interest of £10,000 in the business. Provision was made in the agreement for increasing the capital to £45,000, if required.

It will be noted that, although the decimal currency had long been established, the company still used the terms of the old currency in its private agreements.

In 1870 the Dominion Parliament decided to remove the prohibition on the circulation of notes of small denominations in Nova Scotia. Under old statutes enacted in 1833 and 1834 £5 had been the minimum sum for which banks might issue bills.¹ This was changed to \$20 after the adoption of the decimal currency in 1860, but the legislation of 1870 made \$4 the minimum—a change which was profitable to the banks.

All the original partners having passed away, the three men of the younger generation, on whom the affairs of the company had devolved, decided in 1872 to yield to the spirit of the times and seek incorporation. The charter was obtained without difficulty and at the first meeting of shareholders the following directors were elected: Brenton H. Collins, William Pryor and P. Carteret Hill (the partners in the company to be taken over) William M. Harrington, John Stairs, Thomas Bayne and Robie Uniacke. The father of Mr. Uniacke had been one of those who were instrumental in founding the company's old rival, the Bank of Nova Scotia. Mr. Pryor was elected the first president, and Mr. Hill the first vice-president, of the incorporated bank. The cashier was Mr. S. H. Black. The names of some of the other officers have been preserved. Cyril Francklyn was accountant, M. G. Black, teller, and Henry B. Black, clerk. The stock of the new bank brought ten per cent. premium. The economical standards of those days are indicated by a provision that the president's salary should be \$1,000, and that \$1,000 should be divided annually among the other directors according to attendance. The first statement of affairs after incorporation, presented at the meeting of the shareholders held for organization purposes on October 22, 1872, was as follows:

¹See p. 82 and Appendix XII, p. 476.

LIABILITIES.

Capital, paid up.....	\$294,650 00
Notes in circulation.....	153,087 00
Deposits.....	212,966 00
Due to other banks.....	2,533 00
Rest.....	18,930 00
Profit and loss.....	239 72
Premium of exchange (London and New York).	610 02
Due to Liverpool Union Bank.....	11,529 61
Accrued interest and unpaid dividends.....	7,108 67
	<hr/>
	\$701,655 63
	<hr/>

ASSETS.

Gold and silver.....	\$143,640 00
Notes of other banks.....	102,834 55
Due by other banks.....	2,149 62
Advances.....	453,031 46
	<hr/>
	\$701,655 63
	<hr/>

NOTE:—An error of \$1.61 in the addition of the liabilities will be noted; the amount should probably have been added to the item, "Profit and loss." A memorandum against the first item of the assets, "Gold and silver," appears to indicate that \$50,000 of the amount was in Dominion of Canada notes.

After incorporation the business of the bank appears to have continued much as before. Steps were taken almost immediately to select correspondents in the principal financial centres with which its business was connected. These were London, New York, Boston and Montreal. The agents selected at the three last-named places were, respectively, the Bank of New York, the Suffolk Bank and the Merchants Bank. A little later an account was also opened with the Bank of New Brunswick. A curious reminder of the limited scale on which business was transacted in those days is found in the practice of having each of the directors present at board meetings sign so many sheets of notes for circulation. Thus on October 31, 1872, it is recorded that each of the directors

signed ten sheets of new notes. Then on November 1, they proceed to count the cash in the inner or directors' vault, having counted that in charge of the cashier on the evening of the previous day. The first germ of the opening of agencies, which was later to develop into the branch system, is found on November 29, 1872, when the directors decided to send \$1,000 in the new bank-notes (a new issue having recently been brought out)¹ to C. H. Harrington, at Sydney, C.B., to be circulated and exchanged for notes and cheques of other banks. The safety of the notes in the hands of Mr. Harrington was guaranteed by one of the directors, Mr. William M. Harrington, who afterwards became president of the bank. A printed statement of the affairs of the institution on January 31, 1873, shows the result of the first five months of its operation. The figures are given below:

LIABILITIES.

Capital stock.....	\$300,000 00
Circulation.....	143,040 67
Deposits bearing interest.....	136,768 53
Deposits not bearing interest.....	149,670 45
Due to other banks.....	48,571 46
Reserve fund.....	20,000 00
Profit and loss balance.....	11,846 32
	<hr/>
	\$809,897 43

ASSETS.

Specie.....	\$ 43,098 00
Dominion notes.....	12,806 00
Due by other banks.....	10,158 86
Notes and cheques of other banks.....	27,377 40
Bills of exchange.....	4,210 13
Banking house furniture.....	500 00
Bills discounted.....	709,651 30
Bills discounted overdue.....	2,095 74
	<hr/>
	\$809,897 43

¹See plate 18, facing p. 96.

On comparing this statement with the one given on page 108 as at the date of incorporation, it will be noted that there has been a slight falling off in the note circulation, but that the deposits have increased considerably and that the advances have nearly doubled.

At the end of the following month, when the incorporated bank had been six months in operation, the first dividend was paid at the rate of three and one-half per cent., or seven per cent. per annum. At the first annual meeting held on March 19, 1873, Mr. William M. Harrington succeeded Mr. Hill as vice-president, but the latter retained his seat on the Board. The following year Mr. John Stairs retired from the Board and was succeeded by Mr. W. Mott, who does not, however, appear ever to have attended the meetings of the directors. At the next annual meeting he was replaced by Mr. Lemuel J. Morton.

On March 25, 1874, the Board decided to open an agency of the bank in Parrsboro and gave the appointment to Mr. A. S. Townshend of that place. The instructions given to Mr. Townshend throw so much light on the conditions of banking in those days that they are given in full below:

"The Halifax Banking Company have concluded to open an agency at Parrsboro, and having had under their consideration your proposals to conduct the same under their special instructions from time to time, hereby appoint you their agent, and empower you to act for the bank in all matters of business connected with the interest of the bank that may now or at any time be opened up at Parrsboro, and recommend itself as desirable to be cultivated to its profit and advantage.

"The bank requests your earnest attention to the following general instructions, leaving matters of minor import, as they may occur, to your own good judgment:

"1st. You will make it known around you that you have been appointed to open the agency at Parrsboro.

"2nd. That you are prepared to buy and sell exchange, receive deposits and pay cheques at convenience of customers.

"3rd. That you will receive any special deposit and grant a deposit receipt for the same—when the amount is \$100 or upwards, on interest at four per cent., subject to withdrawal with fifteen days' notice, and provided the same remains in the bank three months.

"4th. Your constant attention will be directed to the circulation of the notes of the bank sent to you from Halifax as needed and when and where opportunity presents of exchanging them for the notes of other banks, which you will remit carefully to this bank whenever the amount reaches \$200.

"5th. You will be careful to advise in time what amount of notes you judge will be required, having your attention directed to¹

"6th. In buying exchange you will be careful to look well to the character of the paper, bank bills being preferred, and short sight bills on New York and Boston from known parties, or good endorsers. Exchange drawn against shipments of any kind not to be entertained for purchase, but may be forwarded for collection and credited when payment advised.

"7th. If a certain amount for discount is found and required, the bank authorizes you to grant the same on three months' notes, with two good names or firms, and in moderate amounts. Your whole line or total amount discounted not to exceed at any one time \$10,000.

"8th. You will be at all times ready to receive any public money or open an account for same, remitting the money as early as convenient to this bank, and drawing when needed on the bank, or directing in time our notes to be sent to you for payment, and note at the time of what denominations, say fours, fives and tens, and smaller Dominion notes for convenience.

"9th. The bank will require you to furnish them with a weekly note of all transactions, and at the end of each month

¹Something is apparently missing here from the copy in the minute book.

a balance sheet exhibiting the position of the agency, its whole receipts and expenditures; a form will be furnished you.

"10th. This bank will furnish you with a suitable iron safe, books, etc., and would call your strict attention to the safety of all monies, securities and other important papers.

"11th. You will be kept advised from this [office] from time to time of any change or probable change in exchanges or other monetary movements of interest.

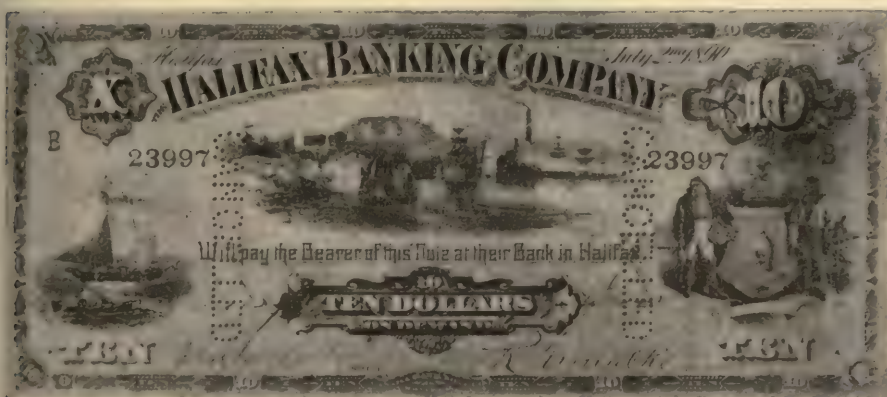
"12th. As regards your emolument or salary, the Board of Directors, in consideration that it will take some time before any considerable business can develop itself, hereby agrees to pay to you six hundred dollars per annum, with the understanding that if the agency succeeds and is found desirable to be continued, to increase the amount, reserving to themselves the right to judge whether, after one year's experience, it will be prudent to continue the same or not.

"13th. As explained to you, it is understood that bonds to the amount of \$10,000, satisfactory to the bank as security for the trust, will be required before commencing business, the sum to be augmented as deemed necessary, if the agency continues and largely increases its business amount."

This step was followed by the opening of an agency in Truro in April, 1874, on similar terms and conditions.

At the annual meeting in 1875, Mr. Pryor, although re-elected to the Board, intimated a wish no longer to serve as president and was succeeded by the vice-president, Mr. William M. Harrington. Mr. Robie Uniacke succeeded Mr. Harrington as vice-president. It is probable that Mr. Pryor's decision to retire from the presidency was largely due to the financial difficulties experienced by the firm of William Pryor and Sons, of which he was a partner.

The hard times of the middle "seventies" materially affected the profits of banking in the Maritime Provinces. These conditions were aggravated by the collapse of wooden shipbuilding, which was then the staple industry. Bankruptcies were frequent, bringing heavy losses to the banks,



NOTES OF THE HALIFAX BANKING COMPANY

(See Appendix XII.)

so that during the decade preceding 1886 the operations of the banks in Nova Scotia, New Brunswick and Prince Edward Island yielded only about four per cent. per annum on the capital employed. The dividends of the Halifax Banking Company, throughout the seventies, however, were never less than three per cent. semi-annually, and were sometimes higher. Notwithstanding this, the market price of its stock fell to low figures, which caused comment at the shareholders' meeting in 1877, several of the shareholders relating their experiences as confirming the fact that the stock was quoted lower than its real market value.

At the annual meeting held on March 15, 1876, the by-laws were amended so as to reduce the number of directors from seven to five. The Hon. P. C. Hill wrote tendering his resignation as a director on account of his numerous public duties, and was not re-elected. Mr. Pryor was the other director not re-elected, so that Mr. Brenton H. Collins was now the only former partner who retained a seat on the Board of the bank. He also retired the following year, and was succeeded by Mr. F. D. Corbett.

During the later "seventies" the minutes of the Board are curiously devoid of any items of interest bearing on the history of the institution. Apparently the bank pursued the even tenor of its way, with only occasional deviation from the daily routine. However, the dog-days of 1876 brought unusual excitement into the quiet little town. On August 1 of that year Barnum's circus wended its way in long and noisy procession up Hollis Street. The music of the band, and all the unwonted sights and sounds, so dear to the heart of childhood, had a disturbing effect upon the usually staid financial institutions along the line of march. As the procession passed the Provincial Building the officials thronged the doors and windows to witness it. Even the chief clerk in the Provincial Treasurer's office locked the door of the office and went into another room, the windows of which overlooked the route of the procession. The offices of the two banks were closed for

a few minutes, and the front doors locked, as the band went by, the officers and clerks crowding to the street to watch the procession. Only a few minutes elapsed before the clerks of the treasury returned, when it was found that some one had entered the office, broken open the door of the treasurer's private room and carried off the cash box, containing over \$1,000 in cash and cheques. The news of this occasioned great excitement, but it sank into insignificance when the rumour spread that the Bank of Nova Scotia had been robbed of a much larger sum, amounting—according to the newspapers of that day—to \$17,000. The robber had rung the bell at the entrance to the messenger's quarters in the bank, and it was answered by the wife of that official. The man at the door asked permission to go down to the cellar, which was used only for storing fuel, and get a paper which had dropped through a grating in the sidewalk. He did not wait for permission, but at once descended the stairs. The woman did not question his action under the circumstances, but waited in the entry until his return a few minutes later. He must have had some previous knowledge of the premises, for he had employed the time in mounting a stairway to the upper stories, from which he reached the banking-room and cleared the desks of the receiving and paying tellers, making his way out through the directors' room. The Halifax Banking Company appears to have escaped a similar visitation, but the monotony of its minute books is broken by an entry made the following day in the handwriting and over the signature of the president:

“Under the circumstances that have lately occurred, the directors of this bank feel it their duty to caution the officers to use due precaution for the care and safety of the large amount of property under their control; the Board will not hold the bank liable for any losses that may occur by the neglect of any person or persons in the employ of the bank.

“Having observed that, contrary to the regulations in other banks, the officials are in the habit of leaving during

business hours, the Board therefore direct that between the hours of 10 a.m. and 3 p.m. (except on Saturdays between 10 a.m. and 1 p.m.) there shall not be less than three of the officials in the bank (messenger not included) and under no pretence is this order to be departed from.

“The cashier of the bank (or in his absence the officer acting for him) will be held personally responsible that this order is carried out, and the Board earnestly hope that all will endeavour to exercise that caution and vigilance in their different departments of the bank that the times demand.”

Another unusual item appears in the minutes of January 15, 1877. It appears that even at this early date the Bank of Nova Scotia in Halifax was carrying on a safety deposit business by renting boxes in its vault. The Halifax Banking Company decided to rent Box No. 83 at \$25 per annum for the safe custody of part of its funds. The use of this box was retained until January, 1879, when the bank's property was transferred to a new safe in its own office.

Early in 1881 the cashier, Mr. S. H. Black, retired and was succeeded in June of that year by Mr. W. L. Pitcaithly. In 1882 Mr. Harrington, the president, died, and on July 11 the vice-president, Mr. Robie Uniacke, was elected to succeed him as president, Mr. L. J. Morton becoming vice-president and Mr. James Thomson taking the vacant seat on the Board. Under the new administration the bank commenced to expand rapidly, and many branches were opened during the next few years, some of which proved unprofitable and were subsequently closed. At the meeting of shareholders in 1883, Mr. Uniacke stated that the bank had been compelled to open new agencies to retain business, as the method of conducting business was changing and it was not confined to the large cities as formerly. A shareholder expressed the view that, while the business of the country districts had very largely increased, the business of the city of Halifax had not increased in like proportion.

The paid-up capital had been increased from \$300,000, the figures at which it stood in 1873, to \$500,000, the increase taking place between 1873 and the end of 1878. At the annual meeting in 1884, the authorized capital of the bank was increased from \$500,000 to \$1,000,000. The new authorization was, however, never availed of, but allowed to expire. In 1900 a new by-law was adopted, again increasing the authorized capital to \$1,000,000, and \$100,000 of this amount was issued in April, 1900, at a premium of fifty per cent., making the total paid-up capital of the bank \$600,000, at which figure it remained until the amalgamation with The Canadian Bank of Commerce.

In August, 1890, a guarantee fund was established by the bank for the purpose of insuring the fidelity of its officers. In October of the same year, Mr. Thomas Bayne, who had been a director of the bank from the time of its incorporation in 1872 died, and was succeeded on the Board by Mr. C. Willoughby Anderson.

On May 10, 1892, Mr. H. N. Wallace, inspector of the bank, was appointed cashier in the place of Mr. Pitcaithly, who resigned. The usual aftermath of undue expansion, increased bad debts and lock-ups of the bank's funds, had begun to appear, and it was discovered that the former cashier had sanctioned large advances in several cases without the knowledge or approval of the Board. This led to his resignation.

In October, 1895, Mr. James Thomson resigned as a director on account of ill-health. At the next annual meeting held in February, 1896, the vice-president, Mr. L. J. Morton, having died, the new directors elected were Messrs. John MacNab and W. J. G. Thomson. Mr. C. W. Anderson succeeded Mr. Morton as vice-president. Mr. Corbett resigned in January, 1899, and the directors elected Dr. W. N. Wickwire to succeed him.

During all these years the Halifax Banking Company had progressed steadily and smoothly. Its career had not



NOTES OF THE HALIFAX BANKING COMPANY

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been marked by the ups and downs that have characterized the fortunes of so many other financial institutions. By 1902 it had grown from the single office of 1872 with assets of \$700,000, to an institution with sixteen branches, not including Halifax, and assets of \$6,000,000. The last statement published during its separate existence is dated December 31, 1902, and is as follows:

LIABILITIES

To the public—

Notes in circulation.....	\$560,475 68
Deposits at call.....	\$827,439 49
Deposits due to Dominion Govern- ment.....	9,592 66
Deposits subject to notice.....	3,095,500 05
	<hr/> 3,932,532 20
Balance due to agents in Great Britain.....	90,542 10
Drafts drawn between head office and branches, outstanding.....	21,475 00
Sterling drafts not yet matured.....	187,693 40
Reserved for interest accrued on deposits and rebate on unmatured notes.....	82,380 30
	<hr/> \$4,875,098 68

To the shareholders—

Capital.....	\$600,000 00
Reserve fund.....	525,000 00
Dividends unpaid.....	41 30
Dividend No. 61, payable 2nd February 1903.....	21,000 00
Balance at profit and loss.....	4,338 58
	<hr/> 1,150,379 88
	<hr/> \$6,025,478 56
	<hr/> <hr/>

ASSETS	
Dominion notes and specie.....	\$623,990 93
Notes of and cheques on other banks	179,921 57
Balances due by other banks.....	90,087 63
Deposit with Dominion Gov't for security of note circulation....	30,000 00
Dominion and Provincial Govern- ment bonds.....	328,340 00
Municipal bonds.....	415,361 96
Railway and other bonds.....	152,000 00
Call loans on stock and bonds.....	311,415 50
	<hr/> \$2,131,117 59
Loans and bills discounted.....	3,873,700 66
Overdue debts.....	364 20
Real estate.....	7,856 11
Bank premises, safes and office furniture.....	12,440 00
	<hr/>
	<u><u>\$6,025,478 56</u></u>

This statement showed the largest totals of any published by the company.

The final chapter in the annals of the company as a separate institution was completed in 1903, when the decision was reached to amalgamate with The Canadian Bank of Commerce. This naturally involved the shifting of control to Toronto; many similar changes have been witnessed in recent years, until every banking institution which had its birth in Nova Scotia in the period between 1825 and 1870, and which still survives, is now controlled in Montreal or in Toronto. This has been brought about either by amalgamation with another bank, or by moving the head office to one of these cities. Under the Canadian branch banking system, this was perhaps the inevitable result of the great growth of central Canada and the prairie provinces in wealth and population. The modern bank naturally desires to do business from ocean

to ocean, and for the effective carrying on of such operations the two great centres of capital and industrial enterprise have been found to be best suited.

The psychology of most bank amalgamations is interesting. Mere size does not make a successful bank, and so long as a bank of moderate size can maintain its deposits in satisfactory proportion to its paid-up capital, proposals for amalgamation are seldom seriously entertained. Local or institutional pride, the personal ambitions of directors, the self-interest of officers who have given many years of their lives to its service—all tend to create a strong sentiment for the maintenance of a separate existence. It is when misgivings arise as to the future, when the bank can no longer maintain its standards in competition with larger institutions, that such proposals have the best chance of consideration.

With regard to the Halifax Banking Company, the situation in 1903 was clear. Its president, Mr. Uniacke, was far advanced in years, and its cashier, Mr. H. N. Wallace, who had served many years, was anxious to retire. The bank had followed an ultra-conservative policy, the best of its business having been retained chiefly through the personality of the cashier, and the bank found itself in a position where there was absolutely no one to succeed him. Amalgamation, therefore, seemed the logical step.

At first the directors were opposed to such a course on sentimental grounds, and the president, Mr. Uniacke, was of the opinion that if amalgamation were really necessary, local patriotism required that it should be with some Nova Scotia institution rather than with one of the great banks of the interior.

The Canadian Bank of Commerce had learned, through the manager of its Montreal branch, the late F. H. Mathewson, that there was a possibility that a purchase of the Halifax Banking Company might be arranged. As The Canadian Bank of Commerce had already opened a branch at Sydney and was considering the opening of branches at Halifax and

St. John, the moment seemed opportune and Mr. Mathewson was authorized to proceed to Halifax and negotiate. Here he found that the cashier was favourable to the proposal, but he had not succeeded in persuading the directors to sell. Mr. Mathewson's methods were tactful in the extreme and his ultimate success was a personal triumph. He showed his willingness to pay a fair price for the business and goodwill of the Halifax Banking Company, and to treat the staff in a liberal manner. Mr. Wallace, as representing the latter institution, also showed himself anxious for the welfare, not only of the shareholders, but of the members of the staff.

Mr. Wallace was of the opinion that by throwing in their lot with a western bank, the shareholders of the Halifax Banking Company would be in a position to reap the benefits of the development in western Canada, from which they would be excluded if they remained shareholders in a purely local institution in a part of the country where competition was very keen. He felt that, while deposits were growing, their field of investment was contracting, with no immediate hope of an improvement in this respect. The prospective entry of The Canadian Bank of Commerce into Halifax and St. John showed that competition would become even keener. Experience had already shown that the entry of a large Canadian bank into the field had resulted in the historic institutions of Halifax losing business to a competitor which was able to offer broader facilities. As they had no pension fund and no promising positions to offer ambitious young men, the difficulties of keeping the staff up to modern standards were also increasingly great. Besides all this, Mr. Wallace feared that a day of difficulty might come, which would find them in a position where their assets, though realizable in time, would not be in a liquid state if the Company were compelled by competition to take up a class of business not of the highest character.

The directors, in their desire to uphold local pride, were not as fully seized of these considerations as Mr. Wallace,

but he urged them so strongly to negotiate that the president, Mr. Uniacke, agreed to a meeting with Mr. Mathewson. The latter offered to pay the full book value of the assets of the Halifax Banking Company in Canadian Bank of Commerce stock at 160, the holders of less than three shares to be paid in cash. The staff was to be taken over by The Canadian Bank of Commerce and placed on its pension fund, their years of service with the Halifax Banking Company to count as service in The Canadian Bank of Commerce, and the existing Board of Directors to be retained for life as an advisory Board.

Hardly were the negotiations under way, when another bank, the old historic rival of the Halifax Banking Company, asked for a stay of negotiations until they had an opportunity to make an offer, which when it came was almost the same as that of The Canadian Bank of Commerce. Mr. Wallace placed the two offers before the Board, and after some discussion the directors decided to accept the terms offered by The Canadian Bank of Commerce.

Advantageous as was the amalgamation to the shareholders of the Halifax Banking Company, it was also very gratifying to The Canadian Bank of Commerce. More than once the latter institution had regretted its almost complete exclusion from direct participation in the trade and commerce of the Atlantic seaboard. In considering the establishment of branches in the Maritime Provinces it had been deterred by doubts as to the reception to be encountered in competition with long-established banks of local origin, which might legitimately have a sentimental claim to support. Then again the local system of taxation was of a character to operate very hardly against a new bank coming into that territory. To amalgamate with an historic institution, with an established clientele and an excellent chain of branches, was highly desirable, and consequently The Canadian Bank of Commerce felt justified in paying a generous price.

Through this acquisition The Canadian Bank of Commerce obtained branches at sixteen points, namely:

Amherst	Canning	New Glasgow	Shelburne
Antigonish	Halifax	Parrsboro	Springhill
Barrington	Lunenburg	Sackville	Truro
Bridgewater	Middleton	St. John	Windsor

Subsequently the branches at Canning, Lunenburg and Sackville were closed; Lunenburg, however, was reopened in December, 1918.

When the Halifax Banking Company was taken over, it was found that the practice followed in extending credit was a good many years behind that prevailing in Ontario, and its officers had to accustom themselves to judging discounts by a different standard from that to which they had been educated. The weakness of the old ways began with the credit methods prevailing among retail merchants. Storekeepers competed with each other in willingness to give credit, with the result that the larger the business, the larger the book debts, and the "charge" system for household accounts was practically universal, without the safeguard of monthly statements. The accounts receivable of Nova Scotia retail merchants were usually out of all proportion to capital and annual sales; the credits granted by wholesale houses were not much greater than those in other sections of Canada, but, in addition to this, the banks had made a practice of discounting for the retailers a large volume of notes given for book accounts often representing goods long since consumed. On the other hand, while their methods of extending credit to retail merchants were unsound, the banks in the Maritime Provinces were very conservative in their adherence to double-name paper. Unless a manufacturer or trader could give security on merchandise, they were unwilling to discount paper which did not bear another name besides that of the borrower. The idea of lending on single-name paper, in other words, of extending unsecured credit to a progressive merchant who had won the confidence of a bank, was deemed unsound. A

branch manager might not discount a note with one good name, but could put through a note with two weak ones—as too frequently happened. This system was more prevalent at country points than in Halifax, and to such an extent was double-name paper insisted upon that the origin and purpose of the requirement was lost sight of, and men made a practice of endorsing for each other. Another practice was that of permitting divided accounts, whereby a merchant, who found his limit of discount arbitrarily fixed by one bank, merely opened an account with another, no objection being raised by his original bankers to his obtaining further credit.

The officers of The Canadian Bank of Commerce, being new-comers, could not change the banking customs of the community at one blow, and were obliged to move slowly in seeking to effect reforms. Nevertheless an improvement has gradually come about, and the widening of the bank's influence, by a union with the oldest institution of Nova Scotia, has doubtless aided in giving a healthier tone to commercial credits, and greater stability to business, in that province.



CHAPTER III.

THE MERCHANTS BANK OF PRINCE EDWARD ISLAND

In comparison with the annals of banking in the far west and north, the career of the Merchants Bank of Prince Edward Island, while not without its ups and downs, was placid and uneventful. The work of a banker in a prosperous, well-settled, eastern farming community inevitably lacked the colour and variety that marked the banker's life in the mining camps and "boom" towns of the pioneer west. Yet from the unromantic point of view of average dividends, there was little to choose, and the story of the Merchants Bank has an interest of its own in its faithful reflection of the growth and vicissitudes of Canada's island province.

"The Island," as it is modestly and sufficiently described by those fortunate enough to be its sons, possessed the essential foundations for solid prosperity. Nearly the whole of its two thousand square miles consisted of rich, deep loamy soil, of a distinctive reddish colour. There were no mountains or stony barrens, and the low-lying hills that ribbed the island from north to south merely gave a pleasing relief to the landscape. The people were of good sound stock, mainly of Scottish blood, with large English and Irish elements, a sprinkling of Loyalists, and some descendants of the original Acadian or French settlers.

The growth, or at least the peace, of the island had long been disturbed by a system of absentee landlordism. The province had, indeed, been spared the fantastic fate planned for it by the Earl of Egmont, First Lord of the Admiralty, after the cession in 1763—that of erection into a feudal barony, with a Lord Paramount of the whole island, forty lesser lords

and four hundred lords of manors, with castles and block-houses, Courts of the Hundred, Courts Leet and Courts Baron, rents and dues, and all the trappings of mediæval feudalism. However, the plan of settlement actually adopted was little more defensible. In a single day, in 1767, almost the whole island had been divided by lot among sixty-seven proprietors, chiefly army and navy officers, government officials and landed gentry, all residing in England. The proprietors were to pay small quit-rents to the Crown, and to place settlers on their lands. Their duties were soon forgotten, but their rights remained. For a long and tedious century, the tenants strove to have the absentee landlords compelled to carry out their duties or to sell out their claims, but the loudest demands from the colony were time and again checkmated by whispers in London. At last, with the admission of the island into the Canadian federation, in 1873, a settlement was effected by the advance of \$800,000 from the Dominion treasury to buy out the proprietors at arbitrated prices, the advances to be repaid in fifteen years by the occupiers of the land, a device which anticipated by many years the settlement of the Irish land question.

In spite of the uncertainty and friction caused by the dispute between proprietors and occupiers, the population of the island had grown rapidly and steadily all through the century. From about 5,000 in 1800, it had increased to 30,000 in 1830, 80,000 in 1860 and by about fifteen hundred a year during another twenty years, when it reached its height. Farming was the mainstay of the people; the oats and potatoes, the horses and sheep of the island found ready markets in the neighbouring provinces, and when tariffs permitted, in the neighbouring States. In spite of the rich fishing grounds of the Gulf, fishing was only a secondary interest. The building of wooden ships kept many a harbour busy, until the timber dwindled, and clipper and schooner gave way to the steamboat of iron or steel.

Until after 1850 no bank was established in the island.

What credit was given was a matter between the merchant and the farmer or the fisherman. The money of account was originally the Halifax currency common to British North America. As pointed out elsewhere,¹ there were no corresponding coins, as the Halifax currency was only a money of account, a purely mythical and political standard, serving to screen the use of Spanish or United States coins under cover of a loyal standard of pounds, shillings, and pence. It was constantly necessary to rate afresh in terms of this conventional standard the coins which were in actual use as the media of exchange. These coins presented the usual medley of guineas, doubloons and johannes, of British shillings and sixpences, Spanish dollars and pistareens, United States silver, and brass and copper tokens that claimed no origin. After 1825 paper was increasingly common. If there were no banks in the island itself, there were several in Nova Scotia and New Brunswick, eager to push their notes, while traffic with the New England States brought in their paper in lesser quantities. By 1852 it was computed that Nova Scotia and New Brunswick bank-notes circulated in Prince Edward Island to the extent of £150,000, but this was not all. The province itself, on various occasions, had issued irredeemable treasury notes, in denominations varying from five shillings to five pounds. Some reduction in the amount outstanding was effected by cancellation between 1831 and 1839, only to make room for a large issue of six per cent. warrants for small amounts. Naturally depreciation followed, so that by 1839 thirty shillings in the island currency were equal to only twenty in sterling. Much difficulty was found in keeping coin in circulation. The authorities hit upon an interesting variation of the usual device of lightening coins to keep them in the country. The centre of a Spanish silver dollar was punched out so as to form a coin which passed for a shilling, while the remainder passed for five shillings, or a dollar, in the island currency, and was nicknamed a "Holy Dollar." At a somewhat later period the continued scarcity

¹See pp. 4 and 32.

of small change led to other experiments in the way of currency, one of the most curious of which was the leather notes issued by William Fitzpatrick, a shoemaker of Charlottetown. These were redeemable in treasury notes of the province. Only two specimens are known to be extant, one of which, now the property of The Canadian Bank of Commerce, is reproduced on plate 21, facing page 128.¹

In 1849 official sanction was given to the ratios which had been established by commercial custom. In that year an Act² was passed rating the British sovereign at £1 10s. in island currency and valuing other British and Spanish coins in proportion. The United States silver dollar was slightly overrated, and thus in practice made the real standard. In 1872 the decimal currency system was adopted by the legislature of the colony.³ The dollar was made the money of account, and the British sovereign rated at \$4.86 $\frac{2}{3}$ on the new basis. The pound currency of the island was accordingly rated at two-thirds of that sum, or \$3.24 $\frac{4}{5}$.

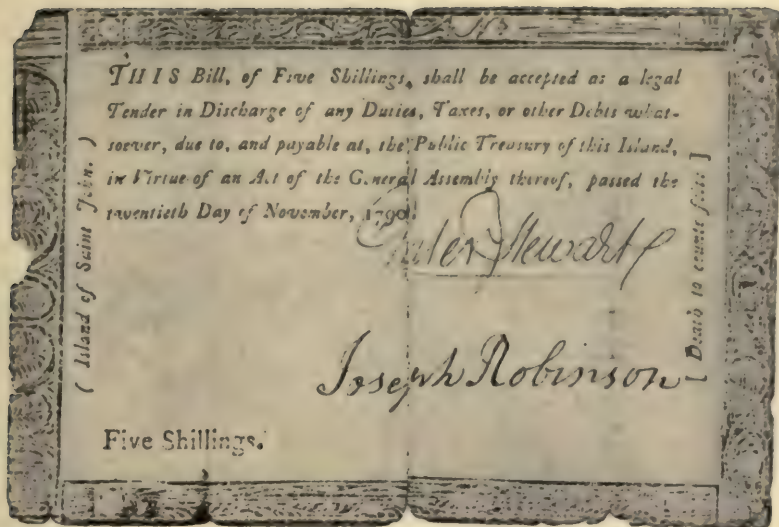
It was not until 1856 that the first bank was established on the island. The Bank of Prince Edward Island, or "the old bank," as it was termed when younger rivals had appeared, was a solid and prosperous institution from the outset, and for a quarter-century served the islanders well. Its success encouraged the establishment of a competitor, The Union Bank of Prince Edward Island. The managers of the younger institution were more aggressive, and soon introduced the island to some of the consequences of high finance, and incidentally played a part in bringing it into Confederation.

The people of Prince Edward Island had scornfully and overwhelmingly rejected the earlier proposals for entering the Canadian federation. They were prosperous, and sufficient unto themselves. They knew little of the Canadians, and that little, having chiefly to do with race and party factions,

¹The various currencies of Prince Edward Island referred to in this paragraph are more fully described in Appendix II. They are illustrated on plates 12, 21 and 23.

²12 Victoria, P.E.I., c. xxiv.

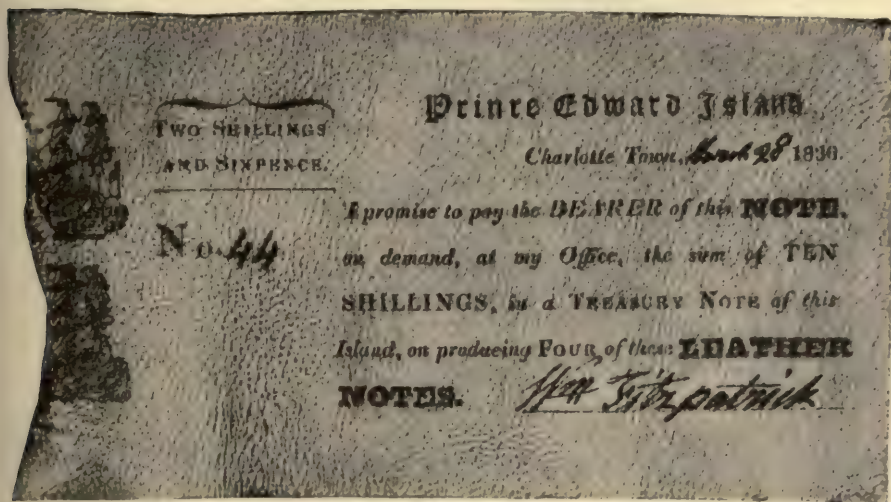
³34 Victoria, P.E.I., c. v.



TREASURY NOTE OF THE ISLAND OF SAINT JOHN, 1790

In possession of the Library of the Province of Prince Edward Island.

The island bore the name Isle St. Jean or Island of Saint John until 1798, when it was given its present name, Prince Edward Island.



NOTE OF WILLIAM FITZPATRICK

Charlottetown, P.E.I. (printed on leather).

In the collection of The Canadian Bank of Commerce, presented by John H. Gates, Charlottetown, P.E.I.

with corrupt politics and high tariffs, did not make them desire any closer acquaintance. Then in 1871 the island embarked on a railway policy, and its troubles began. A firm of contractors undertook to build a narrow-gauge railway the length of the island, in return for provincial six per cent. debentures not to exceed £5,000 a mile. No limit of total length was set, and the road meandered wherever local influence, low cost of construction, and the possibilities of the subsidy suggested. The contractors pledged the debentures with the Union Bank for advances which exceeded in amount the bank's total capital. The island was a newcomer in the money marts of the world, and there would have been difficulty in any case in floating the bonds at par; but with the financial crisis of 1873 looming up, it proved out of the question to realize anything like the par value. The directors of the Union Bank became nervous, and as they included several important leaders in public life, it was not long before it was generally understood that high Imperial interests and the necessity of averting the heavy taxation that the issue of debentures would involve, made it well to reconsider the proposals for Confederation. On July 1, 1873, Prince Edward Island became a province of the Dominion, and the railway obligations were transferred to federal shoulders.

Before this event, the Merchants Bank of Prince Edward Island had begun its career. According to the preamble of the Act of Incorporation, "the increasing trade and wealth of the Island necessitated the establishment of an additional bank at Charlottetown." Messrs. Alexander Brown, William Dodd, George R. Beer, William A. Weeks, Peter Warwick Hyndman, Artemas Lord, John F. Robertson, John Gillan, Samuel W. McMurray, Simon Davies, Robert Robinson Hodgson, Robert Young, and Thomas Morris, a group of prominent merchants and importers in the capital, associated themselves together in 1870, and on April 17 of the following year secured a charter.

The Act of Incorporation set the capital at £30,000,

Prince Edward Island currency, "to consist of gold and silver coins current in this Island." One third was to be paid up within a year, another third in two years, and the remainder within three years after the passing of the Act. The capital stock was divided into £10 shares, and as soon as 600 shares had been subscribed, a general meeting might be called of the members and stockholders of the corporation to elect provisional directors and to organize the bank. By resolution of the directors, confirmed by the shareholders at a general meeting, additional capital stock might be issued, by sale at public auction, in separate lots of five shares each, not to exceed an additional £30,000 in amount. Any premium obtained for the new shares was to be divided in equal proportions among the shareholders, old and new, as a special dividend. Votes were allotted shareholders in a ratio decreasing with the size of their holdings—to holders of one or two shares, one vote; for every two up to twelve, one vote; for every three above twelve, one, and so on, with the maximum for any stockholder set at fifteen votes. During the first three months, no stockholder could hold more than forty shares; forty more might then be subscribed, if the stock had not all been taken up. No stockholder might at any time hold more than twenty per cent. of the stock. The number of directors was fixed at seven and the qualification was the holding of twenty shares. Directors in other banking corporations on the island were unable to serve as directors of the Merchants Bank. The bank might not issue notes or transact business until £10,000 had been paid in cash, and counted by three commissioners, not stockholders, appointed for the purpose by Her Majesty's Executive Council.

The total debts of the bank, deposits excepted, were not to exceed three times the amount of the paid-up capital. No other limitation was imposed on the amount of notes that might be issued. Notes of the bank might not be issued "for a less sum than five shillings." The aggregate of debts due by directors to the bank, as principals, endorsers or sureties,

was not to exceed at any one time twenty per cent. of the capital stock. Land or mortgages might be taken in satisfaction of debts previously and *bona fide* due, and such land might be held for any reasonable period to permit its conversion into money. The shareholders' liability was a triple one—"the shareholders of the stock shall be chargeable in their private and individual capacities . . . for the payment of all debts at any time due from the said corporation, in proportion to the stock they respectively hold, provided, however, that in no case shall any one stockholder be liable to pay a sum exceeding twice the amount of stock then actually held by him, over and above and in addition to the amount of stock actually by him paid into the bank." Provision was made for semi-annual returns to the Colonial Secretary (afterwards to the Provincial Secretary). Suspension of specie payments for ninety days, either consecutively, or at intervals, within any one year, would involve a forfeiture of the privileges of the bank. The charter was to run for twenty-one years.

The powers and limitations outlined in this Act were substantially the same as those found in contemporary bank charters in the other colonies of British North America. In several particulars, such as the ratio of obligations to paid-up capital, and the sliding scale in the voting power of stock, the Nova Scotia precedents were followed. It will be noted that there was no specific limitation of note issues to the amount of the capital, such as were frequent in Canadian charters. No provision was made as to reserves. Power to establish branches was not specifically granted; the only reference in the charter to the location of the bank's activities was the clause prescribing that "the said bank shall be kept and established in the city of Charlottetown, or in such other place as the board of directors may think it necessary to remove the said bank on account of any great emergency for the security thereof"—a wise precaution in the case of a bank located on the seacoast of an almost defenceless island.

The founders of the bank lost no time in carrying their charter into effect. On April 12, 1871, at a meeting held in Odd Fellows' Hall, Charlottetown, a provisional committee was appointed, consisting of Robert Longworth, who was made chairman, George R. Beer, Artemas Lord, John F. Robertson, Hon. Lemuel C. Owen, Hon. Andrew A. Macdonald, George Alley, Alexander Brown and Thomas Foley.¹ The committee at once opened a stock list. At a meeting held on the evening of April 13, the headings of the stock lists were approved and they were ordered to be printed. At a similar meeting held two days later, namely, on the evening of April 15, they proceeded to allot the 3,000 shares,

¹The Hon. Lemuel C. Owen was born in 1822, and held the office of Postmaster-General of Prince Edward Island from 1860 to 1866. He was engaged in shipbuilding and shipping in his early years, and retired from active business about 1892. He was elected a member of the House of Assembly in 1867, and in 1870, after being defeated in the election of the previous year, he was appointed to the Executive Council, of which he became President shortly afterwards. From July, 1873, to August, 1876, he served as Premier of Prince Edward Island. He lived to a good old age and was greatly respected by the people of the province, and especially of Charlottetown.

The Hon. Andrew Archibald Macdonald and Sir Charles Tupper were the last two survivors of the "Fathers of Confederation." Mr. Macdonald was born in 1829, and was elected to the House of Assembly for the first time in 1854. He was a brother-in-law of the Hon. Lemuel C. Owen. In 1863, he was elected to the Legislative Council, which had become an elective body about 1854, and he retained his seat until 1873, when he was appointed Postmaster-General of Prince Edward Island. He was also a member of the Executive Council from 1867 until Confederation. He was one of the delegates to the Charlottetown Conference on the Union of the Maritime Provinces in 1864, and a delegate to the Quebec Conference which followed it, at which the basis for the confederation of the British colonies in North America was arranged. From 1884 to 1889 he was Lieutenant-Governor of Prince Edward Island, and in 1891 he was called to the Senate of Canada.

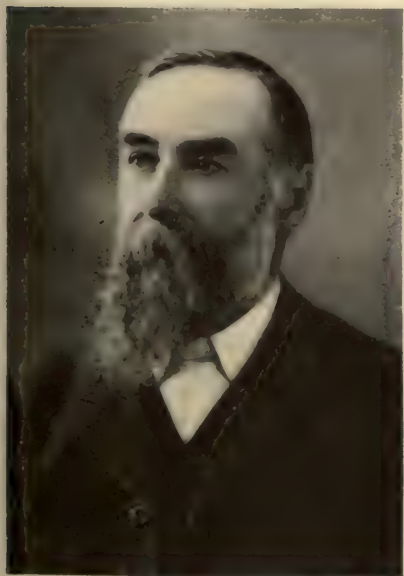
Mr. John F. Robertson was manager of the firm of James Duncan and Company, shipbuilders and shipowners, who failed in 1878 with such disastrous results to the bank. (See page 139.) For a time he served as Provincial Auditor. He was elected to the House of Assembly in 1876 and was a member of the Executive Council from 1876 to 1878. Mr. George Alley was a barrister, and partner of Mr. L. H. Davies (now the Rt. Hon. Sir Louis Davies, Chief Justice of Canada), in the firm of Alley and Davies, who were the bank's solicitors. Mr. Alley subsequently became a judge of the County Court. Mr. Robert Longworth was a retired shipbuilder, and the other members of the committee were merchants.



ROBERT LONGWORTH
First President, Merchants Bank of Prince Edward
Island, 1871-1882.



THE RIGHT HON. SIR LOUIS DAVIES,
K.C.M.G.
President, Merchants Bank of Prince Edward
Island, 1887-1897.



BENJAMIN HARTZ
President, Merchants Bank of Prince Edward
Island, 1897-1904.



WILLIAM A. WEEKS
President, Merchants Bank of Prince Edward
Island, 1884-1885; 1904-1906.

which formed the whole of the authorized capital of the bank, to the various applicants, who numbered 118. To judge by the speed with which the stock was subscribed, the project must have been a very popular one. In one week after the organization meeting at which the provisional committee had been appointed, the capital stock had been subscribed in full, and premises and a cashier had been selected. On May 18, as authorized by the prospective shareholders, they entered into a contract with the British American Bank Note Company, for engraving the bank's notes, "complete with patent green tint, and two numbers and the best bank-note paper trimmed." The contract called for \$1 and \$2 notes to the extent of \$80,000, and \$5, \$10 and \$20 notes to the extent of \$220,000.¹

Steps were taken to secure correspondents in Halifax and elsewhere. In July the provisional committee requested the prospective cashier, Mr. William McLean, to proceed to Halifax with a roving commission to "gather such information as he may consider advisable concerning banking." He was instructed more specifically to ascertain from the Bank of British North America, or any other bank, the terms upon which it would open an account with the Merchants Bank. In company with one of the directors, John F. Robertson, Mr. McLean discussed terms with the Union Bank of Halifax and the Bank of Montreal. Eventually arrangements were made with the latter bank to transact the business of the new institution at Montreal, St. John, and Halifax. Through Messrs. Pitcairn and Sons, of London, arrangements were made appointing the City Bank, Ltd., one of the predecessors of the London Joint City and Midland Bank, Ltd., agents in London. In August, committees were appointed to make arrangements with the Bank of Prince Edward Island and the Union Bank of Prince Edward Island for obtaining from them the specie required to carry out the provisions of the charter.

¹See plates 25 and 26, facing pp. 148 and 156, respectively.

On September 27, 1871, the general meeting of the stockholders was held. Sixty-two shareholders were present, and thirty-six were represented by proxy. It was reported that the whole of the stock had been quickly subscribed, and that a call of five per cent. had been made to defray initial expenses. A code of by-laws was adopted, and a further call of thirty-three and one-third per cent. was authorized. Messrs. John F. Robertson, Robert Longworth, Artemas Lord, George R. Beer, Hon. L. C. Owen, Hon. A. A. Macdonald and Alexander Brown were elected directors. Robert Longworth was elected president, Mr. Wm. McLean, cashier, Mr. F. S. Moore, teller, and Mr. George Beer, junior clerk. Mr. Wm. McLean had been on the staff of the Union Bank of Prince Edward Island.

At a meeting of the directors a month later it was arranged that the president and Mr. Beer were to accompany the cashier to the Bank of Prince Edward Island to withdraw in gold the amount of the shareholders' payments deposited there, and that Mr. Brown and Mr. Lord were to accompany the cashier to the Union Bank of Prince Edward Island for a like purpose. This solemn function having been duly performed, a meeting of directors was called for the evening of November 3, 1871, and "at half past six o'clock John Brecken, Thomas Desbrisay and Thomas Handrahan, Esquires, the commissioners appointed by the Government to count the gold in the vault of the bank, attended at the offices of the bank, and having examined and counted the sum of £10,000 out of the same, administered the oath required by the 16th section of the Act of Incorporation, to the majority of the directors." The bank opened for business on Monday, November 6, 1871, in the lower flat of the new brick building on Water Street, belonging to Robert Longworth. The directors and officials were duly sworn, and the first credit extended—incidentally without any interest being charged. Monday and Thursday of every week were adopted as discount days.

It so happened that the island was on the point of adopting the decimal system of currency in force in the Dominion of Canada and the United States, in place of the old system of pounds, shillings and pence. The necessary enabling Act had been passed in the previous April and was to come into force in the several departments of the Government about the end of 1871. The notes of the Merchants Bank of Prince Edward Island had therefore been expressed in the new currency which would not come into use until a few months later. Accordingly the directors had the novel problem before them of deciding at what rate the bank would pay its own dollar notes. The Board decided that until the Decimal Currency Act came into force the notes of the bank would be redeemed over its counter at the rate of six shillings and twopence Prince Edward Island currency for each dollar.

The bank began operations on the crest of a wave of world-wide prosperity. The island was sharing in the stimulus to industry given by the Franco-Prussian war in Europe, and by the tremendous expansion of railway building in America. Immigration to the new world was heavy. Wholesale and retail merchants flourished, favoured by the system of long and lavish credit which prevailed. The timber trade was particularly profitable, and speculation in timber lands was very active. It was a time that offered great opportunities for new banks—and also great pitfalls. That the founding of a bank at this period was not a local or isolated incident, is revealed by the fact that although there were at Confederation twenty-seven banks in operation in the Dominion (eighteen in Ontario and Quebec, five in Nova Scotia and four in New Brunswick), with nine charters outstanding, twenty-eight new charters were granted by the Dominion parliament in the six years from 1868 to 1874. Some of these charters were forfeited for non-user, some of the new banks were short-lived, and some of the old ones disappeared in the same period, so that by June, 1873, the number of banks in operation in the Dominion of Canada,

not including Prince Edward Island, was thirty-three, or a net increase of only five since Confederation. The trend of the time is none the less clearly reflected in the rush to enter the banking field.

For a brief space, the new Charlottetown bank shared the general prosperity of the world without. At the first annual meeting, in March, 1872, it was stated that the profits on the operations of the first four months, with $38\frac{1}{3}$ per cent. of the capital paid, were \$2,910. A third call of $28\frac{1}{3}$ per cent. was made on August 22, 1872, payable on November 20, and this left the subscribed capital two-thirds paid. By 1874 the profits had reached \$26,000 a year, though the balance of the capital had been called up only in October, 1873. A dividend of eight per cent. was paid in 1872, and two dividends of five per cent. each in 1873, and in succeeding years, up to the first half of 1878. At the annual meeting in 1874, or within two years of beginning business, \$5,500 in bad debts, said to have been incurred by the unfortunate failures of 1872, were written off out of profits, but this incident caused little concern. In 1874 a special bonus of ten per cent. was distributed, in addition to the regular dividends. With a capital of \$97,333.33 in 1875, the bank-notes in circulation amounted to \$245,445; deposits bearing interest were \$134,300, and deposits not bearing interest \$95,636. The expanding business of the bank warranted a further issue of stock, and an increase of 50 per cent., or £15,000 currency, was authorized by the shareholders on March 4, 1875. Accordingly 500 shares of this new stock were sold by public auction in April of that year, and the balance in May, at a premium which, after deducting expenses, enabled the directors to pay a special dividend of \$6.05 per share to holders of new and old stock under the peculiar provisions of the charter in this respect.¹

Part of this increased capital was employed in establishing the first branch, an agency at Georgetown, on July 1, 1875. The agency was placed in charge of the young accountant in

¹See p. 130.

the main office. Mr. H. C. McLeod, with a local board of directors. Mr. McLeod was destined later to win a national reputation as general manager of the Bank of Nova Scotia for many years. A directors' minute records that the cashier was authorized to hand Mr. McLeod \$11,000 to commence with, and it was agreed that "as many of the directors as can attend do go to Georgetown to arrange about the opening of the agency."

A very interesting statement of the business of this agency appears in the minutes of February 15, 1877, after it had been about eighteen months in operation.

MERCHANTS BANK, GEORGETOWN

13th February, 1877.

DEBIT.		CREDIT.	
Bank furniture...\$	517 44	Exchange.....\$	1 91
Bills of exchange.	46,650 00	Discount.....	55 90
Bank premises..	391 82	Interest.....	2 00
Int. on deposits..	28 67	Head office.....	101,422 52
Bills discounted..	40,056 25	Profit and loss...	3,246 40
Cash.....	7,314 61		
Current accounts	9,769 94		
	<hr/>		<hr/>
	\$104,728 73		\$104,728 73
	<hr/>		<hr/>

This shows that the current accounts consisted very much more largely of overdrafts than of credit balances, and that the office was of use to the bank simply as an outlet for surplus funds. A year later special interest-bearing deposits of \$8,915.17 are shown and the advances disclosed by the balance sheet have increased to over \$120,000. Had the proportion of the expenses of the Charlottetown branch applicable to the deposits employed at Georgetown been charged to the agency, it is not probable that it would ever have shown a profit. However, it served its purpose as an outlet for funds that

might otherwise have been idle, or else would have had to be deposited at a low rate of interest in some bank outside the island.

The year 1875 marked the climax of the bank's prosperity for some time. The commercial depression which had begun in the larger centres in 1873, had at last reached the shores of the remote island. The crash had been most severe in the United States, where, in September 1873, there had been a series of failures of important banks, owing to their being heavily involved in speculative projects of railway expansion which had come to grief. Industrial depression succeeded financial panic, and bankruptcy followed bankruptcy, the number steadily increasing from 5,000 failures in 1873 to 10,000 in 1878. In Britain and on the continent, particularly in Germany, where a burst of frenzied speculation had followed the military successes and the financial indemnities reaped in the Franco-Prussian war, the crisis was almost as severe. In Canada, where the lumber industry and the shipping trade were hardest hit, there was much slow and painful liquidation of the debts incurred in the optimistic days that were gone. Commercial failures in the Dominion multiplied fivefold, and many weak banks went to the wall or suffered drastic reorganization. Soup-kitchens were opened in all the larger cities. In 1879 Sir Francis Hincks estimated the shrinkage in the market value of bank shares at \$25,000,000, and the direct losses to shareholders through failures, voluntary liquidation and reorganization with reduced capital, at fully \$12,000,000.

In July, 1878, one of the original directors, Mr. George R. Beer, had resigned, and was succeeded by the Hon. Louis H. Davies in the following October, about the time when James Duncan and Company became insolvent. In September of the same year the Hon. A. A. Macdonald also resigned and was succeeded by Mr. William Welsh.¹

¹Mr. Welsh was a partner of the Hon. Lemuel C. Owen in the shipbuilding firm of Welsh and Owen. He was elected to the House of Assembly in 1873, and to the Dominion House of Commons in 1887.

In these years of panic and depression, a community so self-contained and so largely agricultural as Prince Edward Island naturally suffered less than its neighbours. The onset of depression was gradual. Signs of taking in sail are found as late as 1878 in minutes providing that in future no paper should be renewed for more than two-thirds on the first maturity, or for more than one-half of what remained on the second maturity, and that no paper should be renewed more than twice on any consideration. The manager of the Georgetown agency was urged to reduce his discounts, and later in the year the winding up of this branch was under discussion.

The bank might have escaped with no worse than a healthy warning, had it not been that so large a proportion of its resources were locked up in advances to a single firm. The shipping firm of James Duncan and Company, in which Sir James Malcolm of Liverpool held the main interest, was an active factor in the business life of the island. The newspapers of the day frequently carried notices such as the following:

REGULAR TRADER

Spring of 1874

The extreme Clipper Ship, James Duncan, 756 tons, classed A1 at Lloyds, and coppered, will leave Liverpool for this port about the fifth of April. Apply, to Liverpool, to Sir James Malcolm, Bart., 57 John Street, or here to the owners, James Duncan and Company.

In Prince Edward Island the firm had been considered sound and prosperous beyond question, and the bank had been proud to have the account. No limits were set to the accommodation given. When trade slackened in the middle "seventies," shipping was the hardest hit of all activities. Freight rates dropped and the inflated values which had been set on ships fell with them. The firm of James Duncan and Company found it impossible to meet its obligations and in October, 1878, the Merchants Bank faced a serious crisis.

The crisis was averted for a time by the assistance of the other banks in Charlottetown, secured by the pledge of the

choicest assets of the Merchants Bank. This did not long avail, and a directors' minute of October 10, 1878, records that "the teller having informed the directors that he was unable to respond to the call for specie made in demand and payment for this bank's notes, the directors were compelled to pass a resolution suspending specie payment until further notice, which resolution was accordingly acted upon on the opening of the bank at 2 p.m."¹

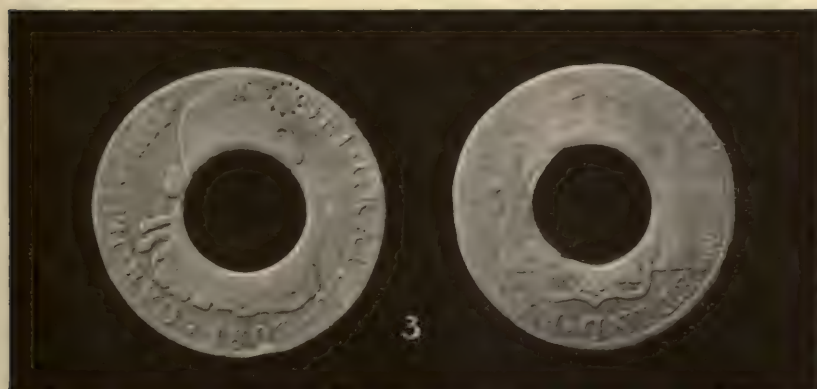
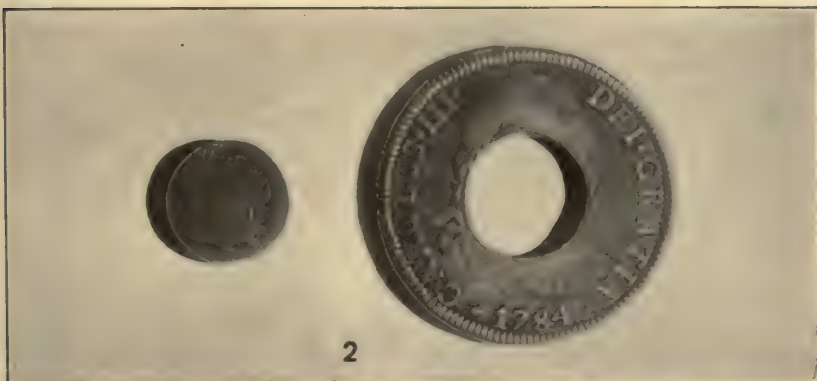
A meeting of the shareholders was called for November 20, to discuss the position of the bank, and the possibility of resuming payment. The statement presented to them was as follows:

LIABILITIES.

Circulation.....	\$104,036 00
Deposits on interest.....	33,386 40
Deposits not bearing interest.....	25,494 42
Balances due to other banks.....	7,898 73
Other liabilities.....	268 34
	<hr/>
	² \$171,083 99
Capital.....	146,000 00
Rest account.....	40,000 00
Reserve for bad and doubtful debts.....	6,000 00
Reserve for interest.....	1,000 00
Shareholders, account of call.....	16,950 00
Directors, account of call.....	28,939 69
Balance of profit and loss.....	10,849 80
	<hr/>
	\$420,823 48
	<hr/>

¹The hours of business in the bank were from 10 a.m. to 1 p.m., and from 2 to 4 p.m.

²It will be noted that there is an error of 10 cents in the addition of this statement.



SPANISH DOLLARS

1. In possession of P. M. Wickham, Montreal, P.Q.
2. Prince Edward Island "Holy Dollar" and centre piece, in possession of Edward Bayfield, Vancouver, B.C.
3. Prince Edward Island "Holy Dollar", in possession of P. M. Wickham, Montreal, P.Q.

ASSETS.

Specie.....	\$ 2,549 76
Notes of and cheques on other banks.....	4,378 74
Balance due from other banks.....	42,814 11
Bills of exchange.....	18,942 84
Notes discounted.....	109,017 62
Current accounts, including Duncan and Co.....	224,254 50
Protested exchange.....	15,159 35
Bank premises.....	3,706 56
	<hr/>
	\$420,823 48
	<hr/>

The note circulation was reduced to less than half, as compared with the prosperous days of March, 1877, the deposits had fallen from \$295,923 to \$58,880, and the total assets from \$721,715 to \$420,823. Yet in spite of the heavy losses, the dominant sentiment was in favour of making another start. The directors, who tendered their resignations, were held to have been culpably negligent, but as evidence that no ill-will was felt, all but two¹ were immediately re-elected; two others resigned as soon as re-election had vindicated their honour. The members of the late Board, admitting their responsibility, offered to pay into the treasury the sum of \$40,000, over and above any liabilities they might have to face as shareholders. The offer was accepted, and another sum of nearly the same amount was obtained from the shareholders by a call of \$10 a share which was placed to their credit as a deposit, bearing six per cent. interest and repayable December 1, 1880.² Nearly

¹Messrs. John F. Robertson and Wm. Welsh. Messrs. Geo. R. Beer and Wm. Dodd were elected to succeed them. Messrs. Alexander Brown and Artemas Lord resigned immediately after the meeting and were succeeded by Messrs. Wm. H. Findley and H. J. Callbeck. Mr. Robertson was involved financially through the failure of James Duncan and Company, of which firm he had been manager. Mr. Callbeck had been elected to the Legislative Council in 1867, and was a member of the Executive Council from 1867 to 1870.

²The bank was able on December 1, 1879, to advertise that it would repay the money obtained by these calls to those who desired it.

the whole of the circulation still outstanding was believed to be held in the neighbouring provinces, and the deposits had been reduced to such a small amount that there were not likely to be immediate demands upon the bank beyond its power to face. It was accordingly decided to resume payment on December 2—a good month within the limit of ninety days during which the bank might suspend payment without incurring the loss of its charter.

During the two years that followed, business was carried on by the new management with extreme caution. Long drawn out negotiations with the representatives of the Duncan estate resulted in the payment of thirty-two cents on the dollar, while the next largest creditor of the bank compromised at fifty cents on the dollar. At the annual meeting in March, 1880, the directors reported that the total losses were found to be \$152,000, or more than the bank's whole capital. During the preceding year, however, no new losses of any kind had been incurred, and a profit of \$2,744 had been earned. This whole amount seems to have come out of the hapless staff, as it was further reported that drastic cuts had been made in the salaries of the officials, reducing the total from \$5,420 a year to \$2,916. In view of the continued depression in trade, and of the "immense banking facilities Prince Edward Island now possesses," the directors did not anticipate a speedy revival of business, but hoped for a gradual recovery.

The recovery had only well begun, as was shown by the increased deposits, discounts and profits in the statement of 1881, when the failure of the Bank of Prince Edward Island late in the autumn of that year gave a rude shock to the islanders' confidence in any and all banks. The "old bank" had once before been on the verge of bankruptcy, but had pulled itself together, and had been considered as solid and respectable as Government House itself. Toward the close of 1881 it was discovered that the cashier had absconded. Investigation revealed that losses had been incurred amounting to nearly \$400,000, or twice the capital. Large advances

had been made without security and without the knowledge of the directors. The assets were mainly mortgages on ships, lands, houses, and lobster and starch factories. Late in November the bank suspended payment.

The first effect of the suspension was a run on the other banks. A minute of the Board of the Merchants Bank at this period notes that "the cashier is instructed to proceed at once to Halifax to procure three thousand sovereigns." More serious was the fact that the suspended bank was largely indebted to the Merchants Bank. An attempt was made to resume operations, on the basis of a levy on shareholders and a contribution from the directors, but it came to nothing, and the Bank of Prince Edward Island went into liquidation. From the nature of the assets, this proved a very slow process. The Merchants Bank was unable for many years to realize on its claims, nor did it appear to gain immediately from the falling off of competition, as the report for 1883 showed a marked decrease in circulation, deposits and discounts, as compared with that of 1882.

About November, 1881, the venerable president of the bank, Robert Longworth, removed to Nova Scotia and at the annual meeting held in the following March his resignation was announced to the shareholders. His seat on the Board was filled by the election of Mr. Thomas Morris, who, however, refused to act, and the directors elected the Hon. Donald Farquharson in his place, as having received the next highest number of votes at the annual meeting. Mr. Longworth was succeeded as president by Mr. George R. Beer.

In August, 1882, it was decided to close the agency at Georgetown, as the decay of wooden shipbuilding, the mainstay of that community, had made it difficult to lend money safely.

At the annual meeting in March, 1883, the shareholders faced the fact that the bank had never recovered from the losses incurred previous to 1878. Its affairs stood as follows:

LIABILITIES.

Circulation.....	\$ 91,838 00
Deposits bearing interest.....	28,243 94
Deposits not bearing interest.....	40,736 36
	<hr/>
	\$160,818 30
Capital.....	146,000 00
Profit and loss.....	203 34
	<hr/>
	<u>\$307,021 64</u>

ASSETS.

Specie—gold and silver.....	\$ 24,399 60
Notes of and cheques on other banks	6,968 14
Debentures.....	1,000 00
Due from other banks	46,581 03
Bills of exchange.....	10,203 34
	<hr/>
	\$ 89,152 11
Bills discounted.....	62,764 69
Stock.....	16,060 00
Cash accounts, mortgages and other assets....	65,180 18
Due from Bank of Prince Edward Island.....	21,554 55
Protested exchange.....	18,408 89
Overdrafts and notes bad and doubtful	30,194 66
Bank premises and furniture.....	3,706 56
	<hr/>
	<u>\$307,021 64</u>

The situation of the bank might well seem hopeless. The assets had decreased more than twenty-seven per cent. since the dark days of November, 1878.

The Hon. L. C. Owen, the last of the directors who had served continuously from the foundation of the bank,



HEAD OFFICE OF THE MERCHANTS BANK OF P.E.I.
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retired from the Board, and Mr. Owen Connolly, formerly agent of the Merchants Bank of Halifax, Charlottetown, was elected to fill his place. Mr. Connolly, who had not been present at the meeting at which he was elected, declined to serve, and a week or two later the Hon. D. Farquharson also resigned. Their places were left vacant until the ensuing March. A resolution had been passed by the shareholders calling for the appointment of a committee of the directors, with power to add to their numbers, to take into their consideration the best interests of the bank, and to report at a meeting of shareholders to be called within three months. Accordingly Messrs. Samuel Prowse, Owen Connolly, L. C. Owen and Judge Alley were appointed to act in conjunction with the directors. The conclusions of this committee were embodied in a report which was submitted at an adjourned meeting of the shareholders held on May 31, 1883. It recited that, in the opinion of the committee, "owing to the loss of almost all its capital at the time of its suspension in 1878 and to the losses sustained since then, chiefly arising out of the failure of the Bank of Prince Edward Island, we do not consider that it would be in the interest of the shareholders to continue working the bank with its capital so seriously diminished as it now is.

"We think in order to ensure a profitable working of the institution it would be necessary to replace its capital intact, and to do this we are of opinion a call of sixteen dollars per share or fifty per cent. should be paid by each shareholder. As there are no doubt a large number of shareholders who will be unable to pay this call, this scheme of placing the institution on a sound basis can only be made practicable by those who are unable to pay the call agreeing to sell out their shares to others who will agree to buy the shares and pay the call on them afterwards.

"We think after a close examination of the condition of the bank that such stock ought to be worth at least fifty per cent. In the event of the shareholders declining to adopt this

scheme, and pay the call necessary to make the capital intact, we recommend that the directors take steps to sell the institution out to some other bank and to report the result of their negotiations to an adjourned meeting of the shareholders.

"That as regards the public generally we find that the bank is in a position to meet all its liabilities without trouble or delay and that there is no cause for any anxiety on the part of the depositors or noteholders."

The shareholders decided to endeavour to sell out and continued the special committee with instructions to carry on the negotiations. Correspondence was opened with the Bank of Nova Scotia, the Merchants Bank of Halifax, the Bank of Montreal, the Bank of British North America and the Molsons Bank, to ascertain what terms, if any, they would offer. The negotiations dragged on until the next annual meeting in March, 1885, and the feeling that the bank would have to be wound up apparently grew. At a meeting to which a considerable number of the shareholders were specially "invited," a resolution to wind up the business of the bank was carried by fourteen to eight. The only definite offer received from any of the banks which had been approached was one from the Bank of Nova Scotia, of \$10,000 for the goodwill, together with the actual net value of the assets as determined by joint examination. The directors felt that they could not recommend this offer, and it was rejected by a very fully attended meeting of shareholders held on March 6, 1884. Instead, a resolution was passed unanimously, requesting all the shareholders to make a gift to the bank of a sum equal to forty per cent. of their holdings, and thus to wipe out the deficit in the nominal capital of the bank. The announcement was then made that the president, Mr. George R. Beer, declined to serve any longer on the Board. At the election which followed, the Hon. Louis H. Davies, Q.C., M.P., who was also the solicitor of the bank, was the only member of the old Board whose services were retained. The new members were Messrs. Owen Connolly, Wm. A.

Weeks, Lemuel L. Beer, the Hon. Donald Farquharson,¹ the Hon. W. W. Sullivan, Q.C., and Benjamin Heartz. Mr. Weeks was elected president. The new Board immediately proceeded to make an examination of the assets of the bank and came to the conclusion that the stock was worth about forty-four cents on the dollar. However, the payments recommended by the committee at the annual meeting were made in due course, though not without a hard struggle, and the \$51,000 thus secured proved sufficient to take care of the bad debts which had been carried forward, so that by 1885 the corner had been well turned.

The Merchants Bank was now the only local bank remaining on the island. The Union Bank of Prince Edward Island had also been shaken by the failure of the Bank of Prince Edward Island, and by the depreciation of its own assets. It was still solvent, but the shareholders considered it wise to make terms with a stronger institution. In October, 1883, while the negotiations between the Merchants Bank of Prince Edward Island and the Bank of Nova Scotia were still pending, the Union Bank was absorbed by the Bank of Nova Scotia, which paid \$114,300 in stock for its goodwill and surplus of assets over liabilities.

Notwithstanding all that had passed, the new Board did not hesitate to adopt a progressive policy. They at once proceeded to open an agency at Souris, selecting Mr. James J. Hughes of the Merchants Bank of Halifax, Summerside, to act as agent. The expansion, though steady, was by no means reckless; a minute during 1884 records the decision that "telephone communication was not thought a necessity for

¹Mr. Connolly was an Irishman by birth, who had gone into business in Charlottetown without any cash capital, and had worked his way up until he became the richest citizen of Prince Edward Island. The Hon. D. Farquharson was a man of admirable qualities, full of energy and determination, and able to hold his own in any kind of an encounter, verbal or fistic. He was a member of the House of Assembly from 1876 to 1901, and in 1898 became Premier of Prince Edward Island, retaining this office until January, 1902, when he resigned to accept the nomination to the House of Commons. He was elected in due course, and died on June 26, 1903.

the bank at present." In the course of the year Mr. William McLean, who had acted as cashier from the commencement, resigned, owing to ill-health, and was succeeded by Mr. Frederick Mitchell, who entered upon his duties on May 5, 1884. Mr. McLean was a fine type of man, kindly and conscientious. He subsequently joined the Board of Directors and lived to a good old age, respected by everyone who knew him.

In the autumn of that year when all the payments due by the shareholders had been made, the Board felt itself in a position to resume the payment of dividends upon the stock of the bank, and a dividend of three per cent. was declared in December.

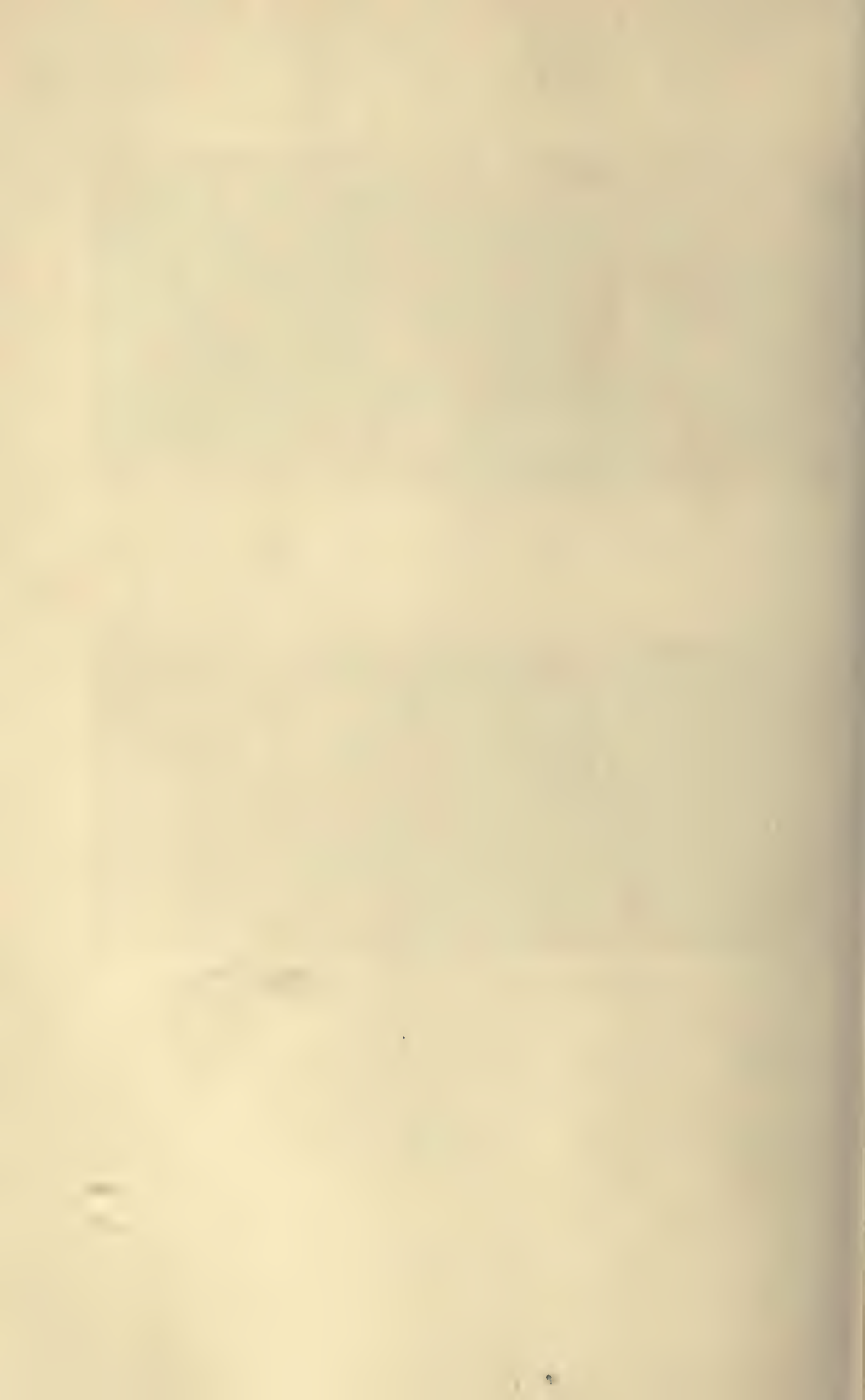
At the next annual meeting in March, 1885, the directors were able to inform the shareholders that all the old bad debts had been written off or provided for, and that after paying the dividend of three per cent. there remained a balance at credit of Profit and Loss Account of \$4,130.54, or nearly three per cent. on the capital stock. The directors were heartily congratulated on their success in bringing the bank through its difficulties, and well they deserved it. Their task had, perhaps, been rendered possible by the fact that most of the influential men of the island from time to time, both in business and in public affairs, were interested in the bank as directors or shareholders, and controlling, as they did, a large part of the trade of the island, they turned it into the Merchants Bank. None the less, the task of releasing the bank from the difficulties into which it had fallen was no mean financial achievement. The retiring directors were re-elected, with the exception of the Hon. D. Farquharson, whose place was filled by the election of Mr. William McLean, the former cashier. Four years later, on the sudden death of his successor as cashier, Mr. Frederick Mitchell, Mr. McLean returned to his old post, and held it until 1895.

Every year that passed brought added strength and prosperity to the bank. In December, 1884, after an interval



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of six years, the directors had been able to resume the payment of a dividend. From three per cent. the rate was increased to seven in the second half of 1885, and in 1887 to eight, at which figure it remained without break or variation during all the remaining years of the bank's existence. At the annual meeting in 1886 Mr. Weeks retired from the Board, and was succeeded as president by Mr. Owen Connolly. The Hon. Donald Farquharson was again elected a director. Mr. Connolly served as president until October, 1887, when he resigned, and the Hon. Louis H. Davies, Q.C., M.P., was elected in his stead. Mr. Connolly continued to serve as a director until his death a month or two later. His place on the Board was filled at the annual meeting in March, 1888, by the election of Mr. Thomas W. Dodd, who, however, declined to act. The next year Messrs. Wm. Dodd and F. L. Haszard¹ were added to the Board, Mr. W. McLean having retired. Mr. Dodd was one of the gentlemen who had retired from the Board in 1884. By 1889 the fortunes of the bank were sufficiently assured to justify the purchase of the much more commodious premises on Great George Street, which had formerly belonged to the Bank of Prince Edward Island.² The Board held its first meeting in the new premises on May 27. One feature of the building was of particular interest. For many years a bell had hung in the top story, with ropes reaching down to one of the ante-rooms, to be rung in case of fire or burglary. After the closing of the Bank of Prince Edward Island and the purchase of the building by the Merchants Bank, the bell was taken down, but it is still in existence.³

¹Mr. Haszard, who is a barrister by profession, became Judge of the City Court and Recorder of Charlottetown in 1893. In 1904 he was elected to the House of Assembly and the following year was appointed to the Executive Council. In 1908 he became Premier and Attorney-General of Prince Edward Island. Since 1911 he has been a Judge of the Supreme Court of the Island and Master of the Rolls in Chancery.

²See plate 24, facing p. 144.

³See plate 13, facing p. 68.

At the meeting of shareholders held in March, 1889, the directors had the satisfaction of presenting a statement showing that after paying a dividend of eight per cent. the profits of the year had permitted them to transfer the sum of \$10,000 to re-open the Rest account.

For many years, all drafts of the Merchants Bank of Prince Edward Island on their banking correspondents elsewhere had been signed by the president and countersigned by the cashier. The president was an active officer of the bank, concerned with daily routine, and filling very much the place assigned to him even now in the smaller banks in the United States. With the Merchants Bank of Prince Edward Island the practice gradually grew up of authorizing someone to sign for the president and cashier in the absence or inability to sign of these officers. The minutes of October 18, 1888, contain an item which is of interest as indicating the passing of this old order of things and the introduction of modern methods made requisite by the growth and development of banking. It was ordered that in future all drafts on correspondents should be signed by the cashier and the teller, "as cashier and teller respectively." At this period the teller at Charlottetown ranked next to the cashier of the bank in order of seniority. Throughout the history of the Merchants Bank of Prince Edward Island, the directors had assumed much personal responsibility, not only for the general guidance of the bank's affairs, but for the accuracy of the books and accounts and even of the cash. Indeed, they filled the place of the modern bank inspectors and auditors, counting the cash and verifying the ledger balances, and performing other similar duties at stated intervals. Even in the later years of the bank's existence, it was a familiar sight to the members of the staff at the island agencies to see the president and cashier drive into the village on their quarterly tour of inspection in a big double-seated vehicle drawn by a pair of horses. Sometimes these inspections began in the evening and continued until the small hours of the morning, after which the inspecting

officers would betake themselves back to Charlottetown, as the day was dawning.

An interesting chapter in Canadian banking history came to an end about this time. For generations, Rustico, a village midway on the Gulf shore of the island, had been the centre of a community of Acadian settlers. One barrier to the prosperity of the farmers was the lack of reasonable credit facilities; they bought all their supplies from local merchants, who charged exorbitant rates of interest, twenty per cent. being common. Nothing was done to meet the situation until in 1860 Father Belcon, who had recently been transferred from Quebec to the parish of Rustico, called a meeting of the parishioners, and raised the sum of \$8,000 wherewith to found a bank. Application was made to the island legislature for a charter, but the authorities hesitated at first to grant banking privileges to so weak an organization. In 1862, however, a charter was issued, and the Bank of Rustico was duly launched, with Jerome Doiron as first president, and Martin Blanchard as secretary-cashier. The bank was open for business only on Friday of each week, when the directors met to consider requests for loans. For a time it was distinctly successful, and served the neighbourhood by reducing the rate of interest to seven or eight per cent. Then came poor investments, and by the late "eighties" the bank was finding difficulty in meeting its obligations. In December, 1889, a minute of the Merchants Bank of Prince Edward Island records that notice had been given to the Bank of Rustico that their notes must be redeemed weekly. In January, 1891, the cashier was instructed "to write the cashier of the Rustico Bank requiring immediate redemption of the notes of theirs we hold, and that immediately on such redemption the Rustico Bank be informed that this bank will not redeem their notes until security is given us in like manner as other banks. Ordered further that cashier do personally go to Rustico this afternoon and make the best arrangements he can for the redemption of these notes and for security in the future." Four days later the cashier reported that the

Bank of Rustico had redeemed all its notes and promised prompt redemption in the future. The reprieve was brief. In 1892 the Bank of Rustico went into liquidation, and the experiment was ended.

On November 28, 1889, the Hon. W. W. Sullivan, Q.C., attorney-general and president of the Executive Council, resigned from the Board on his appointment as Chief Justice of Prince Edward Island. Mr. H. J. Callbeck was elected at the next annual meeting to succeed him. In 1914, Chief Justice Sullivan received the honour of knighthood from His Majesty King George V.

The original charter of the Merchants Bank of Prince Edward Island extended for twenty-one years—to May 1, 1892. In December, 1891, the directors decided to make application at once to the Treasury Board of the Dominion of Canada to extend the provisions of the Bank Act to the Merchants Bank, and thus render it unnecessary to apply for a special Act continuing its charter. In accordance with a clause which had been inserted in the Bank Act of 1890, this was granted as from March 1, 1892. Hereafter the Merchants Bank was required to conform to the federal regulations in all particulars. The most important change was the loss of the power to issue notes of less than \$5, and the restriction of the total note issue to an amount equal to the paid-up capital. In consequence of this restriction, it was considered advisable to increase the capital to \$200,000, the new stock being allotted to existing shareholders at par. To meet the altered conditions, new by-laws were enacted at the meeting in March, one of which reduced the number of directors to five. The date of the annual meeting of the shareholders was also changed from March to January. At the subsequent election the Hon. Frederick Peters,¹ Premier and Attorney-General of Prince Edward Island, was elected

¹The Hon. Frederick Peters was a grandson of Sir Samuel Cunard, Bart., his mother having been Sir Samuel Cunard's eldest daughter, and his father, the Hon. James H. Peters, Master of the Rolls of Prince Edward Island.

a director and Messrs. Dodd, Haszard and Callbeck retired from the Board. The Hon. Louis H. Davies, Q.C., M.P., was re-elected president and Mr. Lemuel L. Beer was elected vice-president.

The difficult years of the early "nineties" brought no new crisis to the bank. Business was stagnant, but a cautious policy avoided serious losses, and made it possible to maintain the eight per cent. dividend. There was some difference of opinion among the directors in 1896 as to the wisdom of continuing to pay eight per cent., but with the revival of trade immediately afterward this disappeared.

The last ten years of the bank's separate existence were the years of its most rapid expansion. Four new branches were opened—in March, 1897, at Montague Bridge in the east end of the island, in 1899 at Alberton in the west end and at Summerside in the centre, and in 1900 at Sydney, Cape Breton. The business transacted grew correspondingly. It was found desirable at the annual meeting in January, 1899, to increase the authorized capital of the bank to \$500,000. Of this amount \$100,000—to be exact \$99,993.75—or 3082 shares of about \$32.44 each, the equivalent of £10 in old Prince Edward Island currency, were issued in December, 1900. These shares were allotted at a premium of fifty per cent., making the price \$48.66 per share. Again in March, 1903, a further issue of 1553 shares was made, this time at a premium of seventy per cent. In both these cases the premium was put to the credit of the Rest, instead of being distributed as a dividend to the shareholders as on previous occasions under the old provincial charter.

The statement submitted to the shareholders at the meeting held January 12, 1904, proved to be in many respects the high-water mark of the bank's prosperity, and marked the culmination of a period of uninterrupted and rapid growth dating from 1895. In it the deposits and loans both reached the highest point in the history of the bank. The figures of

the statement, which bears the date of December 31, 1903, are given below:

LIABILITIES.	
Notes in circulation.....	\$ 304,756 00
Deposits bearing interest.....	\$566,111 94
Deposits not bearing interest.....	561,203 96
	<hr/>
	1,127,315 90
Capital paid up.....	343,781 51
Rest.....	266,000 00
Dividend No. 51 at rate of 8% per annum payable 2 Jan., 1904.....	13,337 66
Former dividends unpaid.....	371 15
Reserved for interest and rebate of current discounts.....	17,254 00
Profit and loss account.....	878 87
	<hr/>
	<u>\$2,073,695 09</u>

ASSETS.	
Specie.....	\$ 27,086 51
Dominion notes.....	53,923 50
Notes of and cheques on other banks.....	23,682 83
Balances due from other banks in Canada.....	126,323 37
Balances due from other banks in foreign countries.....	14,530 03
Balances due from other banks in the United Kingdom.....	11,361 91
Deposit with Dominion Government, for security of note circulation.....	14,000 00
Loans and bills discounted and other assets.....	1,769,550 36
Bills discounted overdue (estimated loss nil)....	5,428 60
Real estate.....	335 00
Bank premises and furniture account.....	27,472 98
	<hr/>
	<u>\$2,073,695 09</u>

Changes in the officers and directors of the bank were frequent in its later years. In March, 1895, the cashier, Mr. Wm. McLean, had resigned for the second time, and

Mr. J. Milton Davison, who had grown up in the bank, was appointed to succeed him. In January, 1897, the president, the Hon. Louis H. Davies, Q.C., M.P., resigned. In the previous July he had become Minister of Marine and Fisheries in the Dominion cabinet, and his public duties rendered it impossible for him to continue a resident of Prince Edward Island. One of the stipulations of the revised by-laws of the bank, enacted in 1892, had been that no shareholder who did not reside in Prince Edward Island should be eligible as a director. In his letter of resignation Mr. Davies intimated that if the shareholders desired it he would be willing to retain the presidency for another year on a more or less nominal footing, but an attempt, made at the annual meeting, to repeal the by-law which stood in the way of this arrangement, failed, local patriotism winning the day. Later in the year, on the occasion of the celebration of the Jubilee of Queen Victoria, Mr. Davies was made a Knight Commander of St. Michael and St. George. His associates in the bank followed with great interest his subsequent career, culminating in his appointment as Chief Justice of the Supreme Court of Canada.¹ He was succeeded as president of the bank by Mr. Benjamin Heartz, a prominent citizen of Charlottetown, and Mr. Wm. A. Weeks took the vacant seat on the Board. In January, 1898, the Hon. Frederick Peters, Q.C., retired from the Board and was succeeded by the Hon. Samuel Prowse.² A year later the Hon. Arthur Peters³ took

¹Chief Justice Davies has since (January 1919) been appointed an Imperial Privy Councillor by His Majesty the King.

²The Hon. Samuel Prowse was a member of the Senate of Canada. He had been prominent for many years in the political life of the island. He was first elected to the House of Assembly in 1867, and was appointed to the Executive Council in 1876. Two years later he resigned, but was subsequently reappointed to the Council. He was re-elected to the House of Assembly in 1879, retaining his seat in that body until called to the Senate of Canada in 1889.

³Son of the Hon. James H. Peters, and therefore a brother of the Hon. Frederick Peters. He was elected to the House of Assembly in 1890, and after the death of the Hon. Donald Farquharson in 1901, succeeded him as Premier of Prince Edward Island, retaining the position until his death in 1908.

the place of the Hon. Donald Farquharson. In January, 1902, Senator Prowse died, and Mr. John S. Hinton, of Summerside, was elected at the next annual meeting to succeed him. In November, 1904, Mr. Hinton resigned and the directors elected Mr. Frank R. Heartz in his place. On December 28, in the same year, the president, Mr. Benjamin Heartz, died. He had been in poor health for some time and had intended leaving for California, when death overtook him. He was succeeded as president by Mr. William A. Weeks, Mr. J. S. Hinton resuming the seat on the Board which he had vacated a few months before. In October, 1905, the vice-president, Mr. Lemuel L. Beer, also died. Mr. Frank R. Heartz then became vice-president and Mr. A. P. Prowse,¹ son of Senator Prowse, took the vacant seat on the Board, being elected at the next annual meeting in January, 1906.

It is interesting to note the changes over a series of years in the character of the bank's business as well as in its extent:

	1875	1885	1895	1900	1905
Capital paid up.....	\$97,333	\$146,000	\$200,020	\$200,020	\$350,000
Rest.....	.....	.....	40,000	100,000	331,000
Circulation.....	245,445	125,147	89,010	180,373	310,702
Deposits, interest-bearing....	134,300	16,393	38,632	270,667	782,835
Deposits, non-interest-bearing.	95,636	78,953	65,006	553,420	231,256
Bills discounted.....	312,504	259,610	367,229	1,205,576	1,691,574
Cash accounts.....	57,300	.....	.....	.....	.....

From the table above it will be seen that in 1875 the note circulation equalled two and a half times the capital. Ten years later, when the bank's credit had been severely shaken, the circulation was only half the previous sum, and had been still less in the years immediately preceding. The low figure in 1895 was evidence rather of the general stagnation of business than of specific weakness in the bank, and the rapid increase in the ten years following indicated the return of prosperity to the island. It is said that, during the period of depression, the management of the bank was considerably perturbed over the tendency of the deposits to grow, and that the fact that it was necessary to pay interest on deposit receipts

¹Mr. A. P. Prowse was elected to the House of Assembly in 1899, and is now (1919) Speaker of the House.



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(See Appendix XII.)

was much deplored. At an even earlier period in the bank's history it was not uncommon to refuse to issue a deposit receipt for a less sum than \$100, the days of opening a savings account by the deposit of \$1 not having arrived. On one occasion, one of the directors was requested to turn in a deposit receipt for a few thousand dollars and to withdraw the money, as the task of paying interest on the deposits—and they were not large—was too much of a drain upon the earnings of the bank. Such must necessarily be the experience of a small local institution dependent entirely upon a limited district for its business. There are times when business is slack and deposits are unwelcome, and then again there are times of general activity when the demand for loans is far in excess of the funds available from the district. The adjustment of these inequalities is one of the benefits conferred by a branch banking system. The changes in the deposits, particularly in those bearing interest, reflected also the changes in the bank's prestige. There is an extraordinary shift in the deposits from non-interest-bearing to interest-bearing between 1900 and 1905. In the former year the deposits not bearing interest were twice the amount of those bearing interest, while in the latter year the proportion was reversed. This was gradually brought about during the intervening years, and was probably the result of the expansion into those sections of the community which were less active commercially, and in which the deposits largely exceeded the loans with their resulting non-interest-bearing balances.¹ The formation in later years of a very substantial Rest, and the rapid growth of the loans, are also significant of changes in administrative policy or in business opportunity.

On the surface, the Merchants Bank was now prosperous and secure beyond question. Year by year the business grew,

¹On the authority of a former member of the staff of the Merchants Bank of Prince Edward Island, it is surmised that the high level of the non-interest-bearing deposits in 1900 was due to the assistance which had been rendered by one of the other banks, and which took this form in the balance sheet.

and year by year dividends of eight per cent. were paid with cheerful monotony. Yet, as those in control were aware, the prospects were not so bright as they appeared. In Prince Edward Island, as in the other Maritime Provinces at that time, credit was extended freely, with the result that the bank's losses from bad debts were gradually mounting to a sum which could not well be met out of profits. Other Canadian banks were entering the island field and dividing up the business that offered, so that competition was becoming immensely keener. There was no danger of failure, but a readjustment was becoming necessary which would have been prejudicial to the bank's credit. Death had just deprived it of the two senior and most active members of the Board, the president and vice-president, both of whom had served continuously for over twenty years. None of the other directors had acted for any length of time, although Mr. Weeks, the new president, had been one of the original incorporators, and had served for one year as far back as 1884. The health of the cashier, Mr. J. M. Davison, was also not good, and about a year and a half later he was finally forced to give up his duties as Charlottetown manager of The Canadian Bank of Commerce. Besides this, the balance sheets for the last two years had indicated that the business of the bank was no longer growing and that the deposits had in fact decreased slightly each year. The directors, therefore, with a due sense of responsibility, sought another way out. Early in 1906 they put before The Canadian Bank of Commerce an offer to dispose of the assets and goodwill.

The Canadian Bank of Commerce was prepared to meet the island bank half-way. Already, as has been seen, it had secured a footing in the Maritime Provinces by opening in Sydney, C.B., and by the purchase of the Halifax Banking Company. The suggestion fitted in with its policy of national expansion. Charlottetown was one of the two provincial capitals in which The Canadian Bank of Commerce was not represented, and the amalgamation would not, except at

Sydney, involve any apparent lessening of banking facilities. Mr. Vere Brown was therefore commissioned to negotiate with the Board of the Merchants Bank. A preliminary meeting was held at Truro, Nova Scotia, to avoid the risk of premature gossip and unsettling rumours, if nothing came of the negotiations. It was followed by a more formal discussion on February 5, at the head office of the Merchants Bank, in which the president, vice-president and cashier, and Mr. Brown, participated. After investigating the bank's position, Mr. Brown made an offer of \$672,768, the equivalent of 192 per cent. on the capital stock. This sum was estimated to equal the face value of the assets, less the amount necessary to provide for liabilities and bad debts. The estimate formed by the representative of The Canadian Bank of Commerce of the probable loss in liquidation was \$65,000 greater than that of the directors of the Merchants Bank. While agreeing to recommend the acceptance of the offer, the management of the Merchants Bank therefore insisted on a further provision that any part of this \$65,000 which might not be required should be divided among the shareholders of the Merchants Bank. As a matter of fact, Mr. Brown's estimate fell somewhat short of the actual requirements.

At a special general meeting, held on April 10, 1906, the agreement was accepted by the shareholders. More than the two-thirds of the subscribed stock required by law, 10,527 shares in all, were cast in favour of the sale, while one sturdy independent, representing 37 shares, cast his vote against the resolution. The purchase was made as of June 1, 1906. The directors were constituted a local Board in Charlottetown, with Mr. William A. Weeks, the former president of the Merchants Bank, as chairman. The cashier, Mr. J. M. Davison, remained in charge of the island branches until early in 1908, when he was forced to retire by ill-health, which culminated in his death on December 20, 1909.

The merging of a local institution in a larger one, however necessary in the interests of progress, is rarely effected

without some sacrifice. Few to-day would deny that the entrance of Prince Edward Island into Confederation had been advantageous, both to the province and to the nation, in the widening of the political horizon of commercial intercourse and of individual opportunity. Yet it involved some sacrifice of individuality, as is emphatically brought home to one who compares a file of Prince Edward Island newspapers in the "seventies" with the journals of to-day. So, on a smaller scale, there was a certain sentimental loss when an institution, which had played a vital part in the life of the province for more than a generation, ceased to have a separate existence.

Yet the loss was small beside the gain. The fact that the last of the local banks of Prince Edward Island was forced to find safety in amalgamation with a larger bank was of much significance. It meant that under present conditions small local banks—and not in the island only—could no longer serve their communities with the efficiency and stability demanded in a society where industry is so vitally dependent upon its credit foundations. The three provincial banks had the advantage of operating among a thrifty, intelligent and educated people. The community was prosperous and stable. With rare exceptions, the control was in the hands of honourable and capable business men, deeply interested in the development of their neighbourhood. Yet experience in Prince Edward Island proved, as it has proved elsewhere, the difficulty even under such conditions of assuring both lasting security and efficiency. Efficiency was hard to maintain in the face of intimate personal relationships, and in the absence of those strict methods with regard alike to customers and to staff, which the scale of operations of a large institution make possible. Security was threatened by all the eggs being in one basket, however good that basket might be. It was not possible, as in the case of institutions covering a whole continent, to balance bad times in one province by good times in another, and the losses in one quarter by gains in another,

or to find profitable use for surplus funds in periods of local depression.

Prince Edward Island has exerted an influence on the making of the Dominion out of all proportion to its size. Tens of thousands of her sons have, since Confederation, been diverted from New England to the upbuilding of the Canadian West, and if the life of the island has lost something, the life of the Dominion has thereby been greatly strengthened. The Canadian Bank of Commerce may well feel proud of the honourable traditions and of the increase in activities which came to it, and to the financial structure of Canada, with the absorption of the Merchants Bank of Prince Edward Island.

The last published statement of the Merchants Bank of Prince Edward Island before its purchase by The Canadian Bank of Commerce runs as follows:

December 30th, 1905.

LIABILITIES.

Notes in circulation.....	\$ 310,702 00
Deposits bearing interest.....	\$782,835 71
Deposits not bearing interest.....	231,256 18
	<hr/>
	1,014,091 89
Capital, paid up.....	350,400 00
Rest.....	331,000 00
Dividend No. 55 at rate of 8% per annum payable Jan. 2, 1906.....	14,016 00
Former dividends unpaid.....	449 02
Reserved for interest and rebate on current discounts.....	15,082 00
Profit and loss account.....	530 90
	<hr/>
	\$2,036,271 81
	<hr/>

ASSETS.

Specie.....	\$ 32,081 34
Dominion notes.....	61,548 75
Notes of and cheques on other banks.....	21,847 41
Balances due from other banks in Canada.....	107,319 61
Balances due from other banks in foreign countries	33,248 98
Balances due from other banks in the United Kingdom.....	35,634 22
Deposit with Dominion Government for security of note circulation.....	15,000 00
Loans and bills discounted and other assets.....	1,691,574 44
Bills discounted overdue (estimated loss nil).....	8,090 25
Real estate.....	335 00
Bank premises and furniture account.....	29,591 81
	<hr/>
	\$2,036,271 81
	<hr/> <hr/>



CHAPTER IV.

THE GORE BANK

As successor to the Gore Bank, which opened for business in 1836, The Canadian Bank of Commerce has a direct connection with the early history of the Province of Upper Canada. The first bank incorporated by the province was the Bank of Upper Canada, which was chartered in April, 1821, less than four years after the Bank of Montreal commenced business in the Lower Province, and which opened its doors to the public on July 1, 1822.

To obtain an idea of the circumstances under which the Gore Bank was founded it is necessary to review as briefly as possible the conditions prevailing in the Province of Upper Canada. At this time the whole of British North America was in a most backward state as regards settlement and development. Even as late as 1837, Lord Durham's famous report in reviewing conditions in Upper Canada sets out a most depressing picture. It mentions that in many parts there were then no roads, post-offices, mills, schools, or churches; that the small and scattered settlements had the utmost difficulty in maintaining communications; that they had apparently no community of interest or opinion, and that the people had little or no opportunity of acquiring wealth.

In *Canada and Its Provinces*,¹ Mr. S. J. McLean says:

"In Upper Canada macadamized roads were undertaken near Toronto in 1833. Between this year and 1837 grants were made by the legislature in aid of such construction on Yonge Street, the Dundas Road and the Kingston Road. But these roads were found too expensive, and plank roads, which could be built at half the cost of the macadamized

¹ (1914) Vol. X, p. 363.

roads, began to be constructed in the later thirties. . . . In 1852 there was yet no road fit for a vehicle between Goderich and Port Sarnia. From the townships of Innisfil or Vespra,¹ even when the roads were good, it cost 7½d. per bushel to convey wheat to Lake Ontario. In 1817, in the Talbot settlement, eighteen bushels of wheat were exchanged for a barrel of salt, while one bushel of wheat was given for a yard of cotton. The poor state of the roads and consequent heavy costs of transportation kept down the price of land."

Under such conditions in the late "twenties," owing to a period of depression in England, the population of the province was rapidly doubled by immigration, which brought about a considerable increase in the value of land and a more active development of the provincial resources. The tide of prosperity rose suddenly with the usual accompaniments. An unwise spirit of speculation spread abroad in the land and was followed by the customary increase in the demand for banking accommodation, then so limited. New banks were projected, and the existing ones sought to increase their capitals. Much of the time of the legislature in these early years was taken up with projects for the improvement of transportation facilities. The statute books were filled with Acts authorizing the establishment of stage routes and the opening of new roads. Generous grants were made for the improvement of existing roads, rivers, harbours, and wharves, and new railway and canal projects were chartered. Money was borrowed abroad and large sums expended on new canals, following the example of the United States, where there was considerable activity of this character—the Erie Canal having been opened in 1825. In 1829, a few years before the Gore Bank opened its doors, after many years of financial and physical difficulties,² the Welland Canal was finished sufficiently

¹In the neighbourhood of Barrie.

²On Tuesday, March 13, 1827, a newspaper published at Ancaster, by George Gurnett, styled "*The Gore Gazette and Ancaster, Hamilton, Dundas and Flamborough Advertiser*" records that "Mr. Wm. Hamilton Merritt has gone to Quebec, to petition the legislature of that province to take the remaining £25,000 stock in the Welland Canal."

to allow of traffic, and five years later the construction of the Cornwall Canal was commenced. In 1833 the "Royal William" crossed the Atlantic, the first ship to do so by means of steam power alone. In 1836, the year the Gore Bank opened for business, the first railway in Canada, the Champlain and St. Lawrence, was opened for traffic. This line ran from Laprairie to St. John's and was chartered in 1832; ultimately, through a series of transfers and amalgamations, it became a part of the Grand Trunk Railway. It was intended to be an important link in the chain of communication, then only partly in existence, between Montreal and New York, by way of Lake Champlain and the Hudson River. At the time this railway was opened, there were only 1,100 miles of railway in the whole of the United States. The first train on the Champlain and St. Lawrence consisted of four cars drawn by horses; steam locomotives were not placed upon the line until 1837. Wooden rails were used as late as 1847, when they were replaced by iron ones. The printed report, dated January 1836, of the engineer retained by the directors of the Hamilton and Port Dover Rail Road Company to advise as to the practicability of constructing a railroad from Burlington Bay, at the head of Lake Ontario, to Port Dover on Lake Erie, has survived among the papers of the Gore Bank, and contains the following interesting paragraph dealing with the specifications of what would now be called the "permanent way":

"This Rail Road I propose should be graded of sufficient width for the formation of a double track, having in the first instance but a single track laid, with three passing places to the mile. The superstructure to consist of white oak string pieces, on which iron plates are to be fastened by spikes passing through oblong holes—the string pieces to rest upon sleepers laid four feet apart, and at right angles to the string pieces, except when, as is shown on the section, the make of the land is below the required level—in which case, it is proposed, either by driving piles or by building stone pillars upon which the rails are to be supported, to save at least

two-thirds of the sum that would be expended by embanking and building culverts and bridges over the different streams—the piles will be procured along the whole line at the mere cost incurred in clearing the width of land required for the Rail Road.” Apparently this report was laid before the directors at the second meeting of the Board of the Gore Bank, and as early as April 25, 1837, in a Board minute relating to a letter addressed to the bank by the president and directors of the Great Western Railway, the cashier is directed to say “that they will afford every aid in their power when assistance is required, but at present cannot come to any decision as to the amount.” The Great Western Railway, originally known as the London and Gore, was incorporated in 1834. Hamilton was convinced that the line would greatly develop local trade, and also form a connecting link between Boston and the Mississippi river. The charter subsequently lapsed, but was renewed in 1845. Ground was broken at London on October 23, 1847, but nothing further was accomplished at that time. Active construction did not begin until 1851, and it was a long and weary time before the road was finished.

The following description of the town and district in which the Gore Bank was to be established,¹ published in November, 1833, the very month in which the petition for the establishment of the Gore Bank was first presented to the Legislative Assembly, will be found of interest in this connection: “The population of this district, [the Gore District] when last taken, amounted to about 32,500, being an increase of about twenty per cent. in one year—and Hamilton, its district town, has increased 400 per cent. in the last four years, according to the best information we could procure. This town did not contain more than 250 inhabitants in August, 1829, but by the police census taken in the month of May last, it appears the number had increased to 1,275, and now probably exceeds 1,350, as many dwelling houses have been finished and occupied since. In August, 1829, there were only four stores, one

¹“*Improvements in Upper Canada*,” from the *Western Mercury*, of Hamilton.

church and five taverns in Hamilton,—now there are three churches, two more about to be erected, eighteen stores, ten taverns, besides three new ones to be opened next January, thirteen groceries, two watch makers, two druggists and three hat shops—also two hat manufactories. In the above-mentioned period Dundas and Brantford have more than trebled their population—Paris having increased from about eight houses to one hundred—and Guelph, where the forest trees stood six years ago, now contains, we believe, about 150 houses. Ancaster, Galt, Stoney Creek, Wellington Square¹ and Oakville have improved much during the same time, and the increase in the value of lands has fully kept pace with the improvement of the villages.” In Dr. Thomas Rolph’s book on the West Indies and North America, containing his observations made during a visit to the West Indies and the United States in 1832-3, there is also to be found an excellent description of Hamilton and of the District of Gore, a few years later.²

As regards the political situation of the province at this period, the following quotation from Breckenridge³ well describes the state of affairs: “Politics in the province were violent and bitter, the struggle of a Reform party against the Conservatives. At the centre and head of the Conservatives was the Family Compact, a junto armed with official patronage and influence, strengthened by the control of the crown lands, and entrenched in church, bar, bench and government.” These were the days of the struggles between William Lyon Mackenzie and the Family Compact, in and out of Parliament, which culminated in the rebellion of 1837. The Bank of Upper Canada was closely connected with the Government and with the Family Compact, and had some influence upon legislation, which it occasionally used to prevent new competitors from entering the banking field.

¹Now Burlington.

²See Appendix V, p. 443.

³Breckenridge, *The Canadian Banking System*, p. 64.

Naturally this led to banking becoming a football in the field of politics, where, according to the *Toronto Patriot*, it ranked with the improvement of roads and other means of communication as one of the important issues of the day.

We may now turn to a survey of the banking field in Upper Canada at the time when the Gore Bank sought its charter. The Bank of Upper Canada was growing rapidly and enjoying prosperity, its shareholders receiving eight per cent. dividends, which had been supplemented on two occasions by a six per cent. bonus. Its paid-up capital had risen from £10,640 in 1823 to £54,037 in 1826, and £100,000 in 1830.

We have alluded to the increase in the demand for banking accommodation during the period of expansion following 1829, and to the effort to increase banking capital which resulted therefrom. During the legislative session of 1831-32 the Bank of Upper Canada, in the face of strong opposition (directed against it primarily on account of its being a monopoly, and of its association with the Government and the Family Compact), secured the passage of a bill increasing its authorized capital from £100,000 to £200,000. At this time the bank had a branch in Kingston, with limited powers, as was the practice in that early day, but the Kingston people were desirous of obtaining a bank of their own, and after considerable difficulty obtained a charter during the same session for the Commercial Bank of the Midland District, with its head office at Kingston and an authorized capital of £100,000. William Lyon Mackenzie was the leader of the opposition to both measures and fought them with his usual bitterness. The story of his visit to England in the spring of 1832, shortly after these Acts had been passed, with a view to obtaining their disallowance by the Home Government, is graphically told by Doctor Shortt in his *History of Canadian Currency*.¹ As Doctor Shortt relates, the Imperial Government disallowed both Acts in 1833, and laid down certain instructions for the regulation of the banks which have been

¹*Journal of the Canadian Bankers' Association*, VIII, 305, et seq.

summarized in Chapter I.¹ As a consequence of the great outcry which resulted in the province from this interference by the Home Government with the affairs of the banks, the Acts were ultimately given the Royal assent in 1834. Naturally the views held by the political parties of the day on the subject of banking were coloured by these occurrences. The reformers, who had generally opposed the bank bills, demanded that no more bank charters should be granted, and that banking should be left as free as any other business. Many of the newspapers of the day called loudly for free banking and advocated the usual financial heresies, which appear to have done duty ever since such controversies began. In December, 1833, the *Patriot* opposed strongly the chartering of any banks at all, and advocated the entire freedom of banking. It went on to say that the overthrow of the Bank of the United States was now certain, as General Jackson had been elected for no other purpose than to effect this much-desired object, and predicted a great revolution in the banking system of the continent. On the other hand the newspaper emphasized the need of banks and praised the Scotch system of banking. Such opposition naturally led the adherents of the Family Compact and of the Bank of Upper Canada to hold different views, and in 1836 we find certain resolutions moved in the Legislative Council on the subject of banking, which were later printed by order of the Council. They are as follows:

“RESOLVED.—That there is scarcely any duty more imperative upon the legislature than to guard with care the commercial credit of this province with other colonies and countries, and to uphold the confidence and security of its inhabitants in their mutual dealings.

“RESOLVED.—That with a view to these objects the regulation of the metallic currency, and the exercise of such a control in regard to the creation and operation of banks, as may seem most proper for securing the public against loss from

¹See p. 20.

a valueless or depreciated paper currency, and also against the evils which may arise from a sudden increase or diminution of the circulating medium of commercial transactions, are matters which call for the vigilant and scrupulous attention of the legislature.

“RESOLVED.—That the admitted necessity of having a much larger capital actively employed in this province than could be represented by any attainable quantity of specie, has naturally and unavoidably led to the creation of a paper currency to meet the wants of a rapidly increasing population, and the demands of a growing spirit of enterprise.

“RESOLVED.—That while it was a perfectly new question under what regulations the emission of a paper currency could be most safely authorised, it presented the following considerations:—Firstly.—That it might be provided for solely by the establishment of a provincial bank having a large capital which might from time to time be increased, with branches of discount and deposit in all the districts of the province, giving to each district the opportunity of subscribing within itself for a due proportion of the capital stock, in the original creation of the institution and upon every occasion of the capital being increased, and subjecting the affairs of the corporation to such regulations and control as would best secure their safe and satisfactory management. Or secondly.—By chartering one other bank in addition to such provincial bank in order to ensure to the public any benefit that might arise from competition and to do away with any objection or appearance of objection on the ground of monopoly. Or thirdly.—By chartering a number of banks, but a number that should be limited with caution by the legislature, and only suffered to be increased gradually and in proportion to the increase in the population and trade of the country. Or fourthly.—By chartering with little hesitation as many banking companies as might apply to be incorporated, relying upon the sufficiency of the restrictions to be contained in their charters and upon their prudent management of their affairs

for protecting the public against evil consequences from their operations. Or fifthly.—By permitting still greater or rather an unlimited latitude and leaving it to the discretion of individuals or voluntary associations freely to conduct all the business of banking without legislative authority or restriction, issuing bills which are to pass with those who are willing to take them as the representative of cash, in such quantities as they may choose and with no other security for their redemption than the liability which the law attaches to these in common with all other undertakings.

“RESOLVED.—That the legislature commenced by adopting the system first specified in the foregoing resolutions; that after some years it advanced, not without scruple and reluctance, to the second; and this first step of departure having been taken, the rapidity with which the Legislative Council finds itself pressed to advance even to the last has led them to entertain serious apprehension of injury to the public from the readiness with which the various projects for banking with and without charters seem at the present moment to be encouraged.

“RESOLVED.—That the Legislative Council cannot forget the very great injury which a portion of this province formerly sustained from the failure of an unauthorised and unregulated bank;¹ and without assuming the probability of any intentional wrong on the part of those who may be allowed to exercise the very important privilege of issuing their notes as a circulating medium; still, looking at the actual state of the province and the present condition of its population, they cannot but dread the very probable occurrence of ruinous losses to individuals and a calamitous shock to trade and public credit from allowing such a privilege to be exercised in any other manner than under the strict and scrupulous control of the legislature.

“RESOLVED.—That in the opinion of the Legislative Council it is highly inexpedient to permit a paper currency

¹The “pretended” Bank of Upper Canada at Kingston.

to be issued otherwise than by a chartered company or companies subjected to proper restrictions, and that it is an important question for consideration whether the number of chartered banks should not be limited in accordance with some principles that may be adopted by the legislature.

“RESOLVED.—That in the opinion of the Legislative Council it is most desirable that the legislature should without delay apply their deliberate attention to this important subject and endeavour to establish a system to which they shall deem it safe and practicable steadily to adhere, since every year will increase the difficulty of returning to a prudent course, after it has been once unfortunately departed from.”

The wisdom of the views thus expressed is unquestionable, and had the other political problems of the day been handled with equal acumen, it is probable that the verdict of posterity upon the Family Compact would have been somewhat different from that which now prevails.

It was in circumstances such as we have described, in a country of vast potential resources but in the most primitive stage of development, amid scenes of political rancour and turmoil which eventually culminated in rebellion, and at a period when the principles of sound banking had yet to be established as the result of bitter experience—that the project for the establishment of the Gore Bank was launched. The petition of Job Loder¹ and thirty-six other prominent citizens of Hamilton praying for the incorporation of a bank in the Gore District was presented to the Legislative Assembly on November 20, 1833, the second day of the session of 1833-34. William Lyon Mackenzie had already been twice expelled from the Assembly, and most of the time of this session was taken up with the endeavour to expel him again. The House, it seems, had difficulty in securing a quorum.

¹Job Loder belonged to a family settled in Ancaster in the early days. He was born in 1776 and died in 1861. He became a wealthy citizen of Ancaster, owning a flour mill and distillery.

The petition was read two days later, on November 22, and was referred to a committee consisting of Messrs MacNab, Wilson and Shade. Allan N. MacNab and the Hon. John Wilson were the members for Wentworth County, Wilson having formerly been the Speaker of the House. Absalom Shade came from Galt, and all three were active members of the Government or Family Compact party, and became leading supporters of the Gore Bank project in the House of Assembly. It is not to be supposed that their names were affixed to the petition which was referred to them at this time, but in the following session when the matter came up again they appear among the petitioners, and are so named in the statute incorporating the bank. Allan N. MacNab, afterwards knighted for his share in suppressing the rebellion of 1837, was a practising barrister in Hamilton, who had first come into notice in connection with an affair known as the "Hamilton outrage." An effigy of the Lieutenant-Governor, Sir John Colborne, was paraded through the streets of Hamilton and this episode became the subject of parliamentary enquiry. MacNab was called as a witness and refused to testify on certain points, claiming that it would tend to incriminate himself. He was taken into custody by the sergeant-at-arms on the motion of William Lyon Mackenzie, and committed to the common gaol at York under the warrant of the Speaker during the pleasure of the House. His confinement was brief, but led to his being regarded by the Conservative party as a martyr, and chosen as one of their candidates for Wentworth county at the general election of 1830. One of his first acts in the legislature was to second a motion for the commitment of William Lyon Mackenzie for breach of privilege, and his activities in the proceedings taken so repeatedly to expel Mackenzie are well known. The enmity between these two men, thus begun, had an important bearing on subsequent events in Canadian history, and throws light also upon much of the history of the Gore Bank. Mackenzie was at this time reputed one of the best informed members of the House

in matters of finance, currency and banking, and had in 1830 been the chairman of a committee of enquiry on the subject of banking and currency which made an elaborate report. This report opposed the chartering of banks on the lines of the Bank of Upper Canada, with note-issuing privileges and limited liability of the shareholders. It was only natural then, that in 1833 Mackenzie should oppose the granting of another charter of the same kind to the Gore Bank, whose strongest supporter in the House was his bitter enemy, MacNab, and he did so in the vigorous style which was his wont. In his paper, the *Correspondent and Patriot*, he published a lengthy list of MacNab's unsatisfied debts, and claimed that even Job Loder's wealth could not offset MacNab's name. Later in 1835, when the bill chartering the bank had passed, he wrote: "The Hamilton or Gore District Bank, thus called into existence by a royal nod, is a machine job got up by Allan Napier MacNab and a few of his cronies, and will completely answer his purpose. The directors are to be chosen by subscribers to the bank who have paid little or nothing on their shares. . . . Since then Mr. MacNab has come forward with a petition for a bank, signed by the sheriff, Mr. Stephen Randall, and Mr. Job Loder and others, and the charter is his. The bill he introduced has, without any material amendment, become law."¹ On November 28, Mr. Shade reported on behalf of the committee that they had agreed to the draft of the bill for the establishment of a bank in the town of Hamilton in the Gore District, and the bill was read a first time on the following day, and ordered for second reading on the day after. On the next day, however, no quorum was present, and the second reading was therefore postponed. On December 4 the bill came up for discussion in committee of the whole, and the principal argument advanced in its favour seems to have been that the Home and Midland districts, two of the districts into which the Province of Upper Canada was then divided, had already been given banks, and that it was therefore only

¹*Toronto Correspondent and Patriot*, August 27, 1835.

fair to give one to the remaining district, the Gore. The discussion was lengthy and dragged out until the morrow, when the newspaper reporter was not present and was therefore unable to report what took place. However, the bill passed the committee stage, with certain amendments, and was ordered to be read a third time the next day. Finally, on December 6, it was passed by the Assembly, and taken up to the Legislative Council, but as the Legislative Assembly and the Legislative Council were at loggerheads at this time, the bill failed to pass in the Council. Doctor Shortt¹ has the following interesting paragraph in reference to this: "During the session of 1835 the Gore Bank of Hamilton, of which Mr. A. MacNab was the moving spirit, managed to obtain a charter. During the previous session a bill to establish this bank passed the Assembly but was rejected by the Council. This rather stirred Mr. MacNab's Highland blood, and as he had been associated with the Bank of Upper Canada and the members of the Compact, he began to expose the motives and methods of the Council in such matters, much to the delight of the enemies of the Compact and the edification of the public in general. However, the breach was soon repaired, and the following session the Gore Bank bill, passing the Council, became law." In the interval between the passing of the bill by the Assembly and its rejection by the Council, an interesting incident, illustrative of the old rivalry between Hamilton and Dundas, took place. On January 30, 1834, a petition was presented, signed by Manuel Overfield and 28 others, praying that the bank to be chartered in the Gore District might be opened at Dundas. Not to be outdone in this way, four days later a counter-petition, signed by John Law and 63 others, was read praying that the bank might be opened in Hamilton. As we know, when the bill was passed the following session, Hamilton won. About the beginning of the 19th century great rivalry had sprung up among Ancaster,

¹ Adam Shortt, "*History of Canadian Currency, Banking and Exchange*," in the *Journal of the Canadian Bankers' Association*, VIII, 317.

Dundas and Hamilton. After the war of 1812, Ancaster had become the most important of the three, but on the opening of the Burlington Canal, connecting Burlington Bay with Lake Ontario, Hamilton assumed the lead and held it until the Desjardins Canal was completed. This canal carried the traffic past Hamilton to Dundas, which was then the terminus of the main roads through the Gore District, and Dundas thus for a time outdistanced Hamilton. The completion of the Great Western Railway, however, brought the traffic back to Hamilton, and gave it an impetus which has resulted in its becoming one of the manufacturing centres of the Dominion.

In the following May (1834), notice was given in the *Upper Canada Gazette* that the application for a charter for the Gore District Bank would be renewed the following session, and the bill was accordingly introduced by Mr. Allan N. MacNab in January, 1835, passed by the Assembly, and finally by the Legislative Council on April 9, 1835. This time, however, the Lieutenant-Governor reserved his assent and referred the matter to the Colonial office in London. It was not until October 27, 1835, that the Royal assent was promulgated and the bill finally became law.¹

Breckenridge states that this charter was the first in the Canadas to provide for the double liability of bank stockholders.² However, in Nova Scotia, the charter of the Bank of Nova Scotia, granted in 1832, contained the double liability clause. This made the shareholders, in their private and individual capacities, liable for the debts of the bank in case of loss or deficiency in the capital stock caused by the mismanagement of the directors, their total liability being limited to double the amount of stock actually held. A peculiar clause was that making incorporated companies

¹The delay in assenting to this bill has caused some confusion as to the date of chartering the Gore Bank. The bill was passed during the first session of the 12th Parliament of Upper Canada and is c. xlvi, 5 William IV, 1835. On account of its reservation for the Royal assent it is often found in old volumes of the statutes printed with those of the following session, and is then numbered c. xxxiv, 6 William IV, 1836.

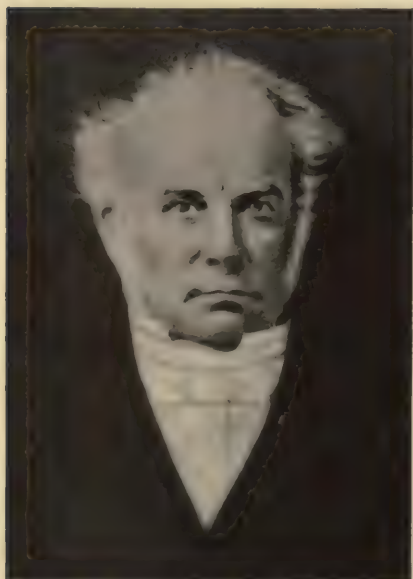
²Breckenridge, *The Canadian Banking System*, p. 71. See also pp. 20 and 67 *supra*.



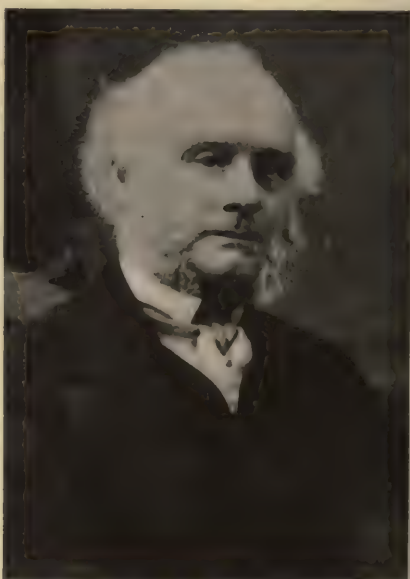
COLONEL JAMES MATTHEW WHYTE
First President, Gore Bank, 1836-1839.



COLIN CAMPBELL FERRIE
Second President, Gore Bank, 1839-1856.



ANDREW STEVEN
First Cashier, Gore Bank, 1836-1856
Third President, Gore Bank, 1856-1861.



THOMAS CLARK STREET
Fourth President, Gore Bank, 1862-1868, and later
Director of The Canadian Bank of Commerce.

incapable of holding stock in the Gore Bank, except such as should be conveyed to them in satisfaction of debts previously contracted. If a company in this way acquired stock, the stock could not be voted. The provision was inserted with the object of ensuring that the bank should not be dominated by corporations, and was abolished a few years later.¹ Another clause rendered four out of the ten directors serving in any year, not including the president, ineligible for re-election until one year had elapsed. This caused a good deal of change in the early directorate, only two of the original Board serving continuously during the first six or seven years of the bank's history. These two were Colin C. Ferrie and Edmund Ritchie, both of whom will be referred to hereafter. The president was always eligible for re-election as a director, and was the only member of the Board permitted to receive any remuneration for his services. Stockholders not residing within the province might not act as directors, and might not vote by proxy. Another unusual stipulation limited the number of shares which each original subscriber might take to 80, and the number of votes which any shareholder might have to 15. If the stock was not subscribed in full inside two months, the original subscribers might increase their subscriptions. The total amount of the liabilities of the bank might at no time exceed three times the paid-up capital. The par value of the shares was £12 10s. each.

A despatch from the Colonial Office dated June 15, 1835, communicated His Majesty's assent to the bill for the incorporation of the Gore Bank to the Lieutenant-Governor, Sir John Colborne, and on this being made known, steps were at once taken to organize the bank by calling a meeting of the petitioners at Burley's Inn in Hamilton on September 1, 1835. At this meeting the charter was read, along with an extract from the despatch just referred to, and steps were taken to open the subscription books. The leading spirits of the meeting were the chairman, Colonel James Matthew Whyte, aged

¹The repealing Act was 2 Vict., 1839, c. xli.

47, and the secretary, Colin Campbell Ferrie, an energetic young man of 27.¹

The subscription books were opened on the first Monday in October, 1835, at the undermentioned places:

Cornwall, at the office of Arch. McLean, Esq.
Prescott, at the office of Messrs. McPherson & Co.
Port Hope, at the office of John Brown, Esq.
Dundas, at the office of M. Overfield, Esq.
Ancaster, at the office of James Chep, Esq.
Brantford, at the office of S. A. Wilkes, Esq.
St. Catharines, at the office of H. Mittleberger, Esq.
Simcoe, at the office of Duncan Campbell, Esq.
Toronto, at the Head Office of the Bank of Upper Canada.
Hamilton, at the office of the Bank of Upper Canada.
Niagara, at the office of the Bank of Upper Canada.
Kingston, at the office of the Bank of Upper Canada.
Cobourg, at the office of the Bank of Upper Canada.
Brockville, at the office of the Bank of Upper Canada.
London, at the office of the Bank of Upper Canada.
Amherstburg, at the office of the Bank of Upper Canada.
St. Thomas, at the office of the Bank of Upper Canada.
Bytown,² at the office of the Bank of Upper Canada.

It will be noted that ten offices of the Bank of Upper Canada were included. Permission had been given by the directors of that bank to make use of its offices for the purpose. The subscription book opened at the head office of the Bank of Upper Canada shows that many of the leading people of Toronto subscribed.

¹The former was born in 1788, and was the son of Mr. Whyte of Newmains, who although descended from a noble Scottish family, took the name of Whyte on inheriting property in Jamaica. Col. James Whyte, the son, originally of the King's Dragoon Guards, left the army in 1811 and settled in Jamaica, where he was a member of the Privy Council. He came to Hamilton in 1830, and there built Barton Lodge, a well-known residence on the brow of the "Mountain." Colin Campbell Ferrie was born in Glasgow, Scotland, in 1808. He came to Canada with his father, the Hon. Adam Ferrie, who settled in Montreal and founded the firm of Adam Ferrie and Company—Adam Ferrie being the sole proprietor. Colin Ferrie and his brother, Adam Jr., went to Hamilton, and established a branch of their father's business, opening other branches later on at surrounding points. Colin Ferrie subsequently became the first mayor of Hamilton.

²Now Ottawa.

Shortly after this it was found that the British Act of Parliament governing such matters (passed in 1790) required all provincial Acts, reserved for His Majesty's pleasure, to be further suspended until the Royal assent was officially announced to the legislature, or proclaimed by the Governor, and the agents to whom the subscription books had been sent were therefore notified that the proceedings taken were not valid, and that any subscribers who had signed would have to attach their names a second time after the proclamation had been issued.

On November 2, 1835, as soon as the petitioners received official information that the Royal assent had been proclaimed, they met again, and passed resolutions to the effect that books of subscription be opened anew on November 16, and that as soon as £25,000 had been subscribed, the secretary should call a meeting at Burley's Inn in Hamilton for the purpose of carrying out the intention of the Act. Ten days later, Messrs. Whyte and Ferrie were appointed a committee to apportion stock and to give notice in the other districts of the Upper Province of the first election of directors, which was to take place at the Court House, Hamilton, on February 8, 1836.

At this election of directors the following gentlemen were selected to form the first Board: Colin C. Ferrie, Edward Jackson, Michael Aikman, Edmund Ritchie, John Young, James M. Whyte, William Scott Burn, William Chisholm, John Wilson and David A. MacNab. Seven of these directors attended the first meeting, and in the balloting for president, J. M. Whyte received four votes, as against three cast for C. C. Ferrie. Ferrie had headed the poll in the election of directors, receiving the votes of 2,405 shareholders, as against 1,585 cast for Whyte. Subsequent events seem to show considerable rivalry between these two gentlemen. The president was instructed to offer the cashiership to Mr. Andrew Steven, then manager of the Hamilton branch of the Bank of Upper Canada, at a salary of £350 currency. This was, however, immediately raised to £400 and dated from May 1, 1836.

The salary paid to the bank's chief officer, when judged by present day standards, cannot be described as munificent, but it conformed to the scale of pay allowed by other early banks. At the last meeting of the directors held before the annual meeting of the shareholders each year, in the early days, a motion was passed to place at the credit of the president a certain sum, usually £300, "as a remuneration for his services during the past year." One of the peculiar provisions of the charter was, as we have pointed out, that none of the directors except the president was entitled to any emolument for his services.

The first office of the Gore Bank in Hamilton was situated on the south side of King Street West, between MacNab and Charles Streets, in a stone building which is still standing (1919). In 1844 the bank purchased from Colin C. Ferrie, its president, the site at the southwest corner of King Street East and Hughson, or George Street as it was formerly called, and subsequently erected on it the building which still houses the Hamilton branch of The Canadian Bank of Commerce.¹

The directors appointed the Bank of Upper Canada to act as correspondent for the Gore Bank in Toronto. In Montreal the City Bank acted as correspondent; in New York, Messrs. John Ward and Company, and in London, Eng., Messrs. Reid, Irving and Company. The manager of the Hamilton office of the Bank of Upper Canada having been appointed cashier of the Gore Bank, arrangements were made to close that office as soon as the Gore Bank should be ready to open for business. The Bank of Upper Canada sold to the Gore Bank all the discounted notes then in its Hamilton office, payment to be made within one year, one-sixth payable every two months, and withdrew from Hamilton on April 30, 1836. The Gore Bank opened for business on Monday, May 2, 1836. A request was also made to the City Bank that it should withdraw all its agencies west of Toronto, with what success does not appear. The cashier of the Gore Bank writes to the

¹See plate 28, facing p. 192.

City Bank relative to the closing of its Hamilton office: "That was expected, of course, more particularly as the gentleman who was in charge of your business here is now a member of our Board."

The members of the first Board of the Gore Bank had no mind to play the part of dummy directors. The minutes of their earliest meetings show that they intended to manage the bank in the matter of granting credit; also that they realized that what they had to lend was merely credit in the shape of the note circulation of their bank, and that they could not continue to carry on business if the notes of the borrowers were renewed, unless the individual borrower continued to circulate their notes through his business.

In this connection the following extracts from the minutes of the meeting of May 4, 1836, are of interest:

"The committee on by-laws, while presenting such to the directors of the Gore Bank as they would recommend for adoption, beg to report upon a few points which, though not capable of being classed strictly as by-laws, yet approach them so nearly as to have naturally come under their consideration:

"1st.—They would recommend that from the first, the discounts of the bank should be made without any pledge to renew either in whole or in part. The system of discounting renewable notes tends to lock up the funds of a bank to an extent which may often be inconvenient. It is also in a great measure advancing dead capital which is the most unprofitable issue which a bank can make.

"2nd.—As a regulation to the above effect may produce inconvenience to some parties, they would recommend that the bank should issue *circulating capital* by granting cash credits to such of their customers as can make active use of them. They might be for sums not less than £100, nor more than £500, liable to be called up on a notice of not exceeding three months and with an understanding that unless circulation

should take place upon them to five or six times the amount annually they would be so called up.

"3rd.—They would recommend as a subject for serious consideration whether interest should or should not be allowed upon money lodged with the bank on deposit receipts and remaining for three or six months. Such a measure would tend to diminish the practice of hoarding and would cause the public generally to take an interest in the success of the institution. Practically the money so lodged might be permanently acted upon as capital. [To this there is a marginal note, "Postponed for further consideration," initialled "J.M.W."]

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"Rule 5—The president, whose duty it shall be to attend daily at the bank, shall with the cashier manage during the recess of the Board such concerns of the bank as do not require the advice and interference of the Board, and they or either of them shall have power to negotiate inland and foreign bills of exchange; but in all cases notes or bills which may have been acted upon by the Board shall not be altered, and no note shall be discounted during the recess of the Board under any circumstances whatever. The president and cashier shall report to the Board at their next meeting all doings at the bank in their official capacity.

"Rule 6—The day of discount shall be Tuesday in each week and the directors shall assemble at eleven o'clock precisely: should the same be a Holy day the directors shall meet on the succeeding day."

In the minutes of June 25, the following appears:

"It was resolved that 'no notes shall be renewed unless one-half is paid and that instantly.'

"Resolved that the cashier shall write to the different banks in the Upper Province that the Gore Bank being about to commence issues is desirous of establishing a liberal and beneficial principle of exchange; that the notes be exchanged every week in Toronto; that the balances be carried to account

till the end of each month, and that on the first exchange day of [the] month a draft be sent for the balance on the last day of the preceding month; that the balances be paid by drafts, either on Montreal or New York as may by general consent be considered best, and that in no case shall specie be drawn from any bank while such drafts continue to be regularly paid. Should the banks consider such arrangement as the above advisable the Gore Bank will send a person to confer with the other banks and make an arrangement."

As throwing light on the first of these recommendations the following remarks by Doctor Shortt¹ are of interest:

"Owing to the long credits which were usual between the merchants and their customers, it had been the practice of the Canadian banks in discounting, to require only one-fifth of the amount to be repaid at the end of three months, a renewal being granted for the remainder. The period for the complete repayment of a loan was thus extended over fifteen months. However, after the establishment of the Commercial Bank, and the development of more speculative and rapid methods, the banks began to insist upon the payment of at least one-third, and sometimes one-half of the original loan, at the end of three months."

To present-day bankers it may seem curious that the executive of the Gore Bank, while insisting so strongly on active circulation of the bank's notes by its borrowers and on non-renewable discounts, should debate the wisdom of paying interest on deposits. The explanation is that there were scarcely any savings of this kind, and that for many years deposits were not an important factor in Canadian banking—the proprietors' capital stock and the note circulation furnished a relatively large proportion of the funds used in the discount business. On January 8, 1838, the Gore Bank reported that it did not pay any interest on deposits, except on certain sums belonging to the Commissioners appointed to macadamize the roads in the Gore District, this money being invested in

¹*Journal of the Canadian Bankers' Association*, VIII, 313.

Government debentures bearing interest at the rate of five per cent., payable half-yearly. Apparently the interest on these debentures was accounted for to the Commissioners. However, on August 30, 1893, The Canadian Bank of Commerce paid a deposit receipt of the Gore Bank issued on May 18, 1859—the item having thus been outstanding 34 years and 104 days, on which the rate of interest, three per cent., was engraved, so that the rate evidently had not been a subject of much discussion for many years. Yet thirty years after the bank commenced, the rate for money left on notice was sometimes as high as five per cent.

The minute regarding the clearing of notes of other banks is also of much interest. Instead of the daily clearance and settlement now in vogue, the early Canadian bankers had a system of weekly exchanges of notes with a monthly settlement of balances. There are in the Gore Bank's records many letters from American as well as Canadian bankers offering their services as redemption agents for notes.

A committee was appointed to inspect "different samples of bank notes" in February, 1836, and the bank began to issue its notes, which were engraved by the New England Bank Note Company, on July 5 of that year. As the note issue represented such an important part of their loanable resources, the early bankers pushed their circulation most energetically, but in the absence of railroads, of regular lines of stage coaches, of boats on the lakes, and even of fairly passable wagon roads, the dangers and difficulties involved in the transmission of money parcels were very great. The beginnings of an express company's business can be traced in a Board minute of January, 1837, in which it is ordered that "the cashier enclose to Captains Herckmer and Sutherland \$30¹ each for their respective services in taking charge of money during the last summer." The following extracts from the Gore Bank's note register throw further light on the

¹The term "dollar" was freely used as the equivalent of five Halifax shillings or eight York shillings.

methods of transmitting money parcels. With reference to a parcel of notes received from the New England Bank Note Company, Boston, on October 17, 1836, the record states that it was "forwarded to Messrs. J. Ward and Company, New York, and from thence to Toronto in charge of Mr. James Hughson, where it was detained by Mr. Carfrae, and brought here by A. N. MacNab, Esq." A subsequent consignment of ten parcels of bank-notes was "brought from Boston to J. Ward & Company, New York, and from thence sent to Hon. Elias Ransom, Lockport, and by him forwarded to Henry B. Ritchie, Esq., Buffalo, who brought them to Hamilton." Even stronger evidence of prevailing conditions is given in the extract from *Souvenirs of the Past* by William Lewis Baby, which appears in the Appendix.¹ The first parcel of notes forwarded by an express company from the engravers to the president of the Gore Bank was received October 16, 1852. As late as January 13, 1851, the Bank of Upper Canada sends James Browne, well known many years thereafter as a prominent stockbroker in Toronto, from Toronto to Hamilton with three parcels of bank-notes, requesting the Gore Bank to send £5,000 in gold and silver back by him.

The difficulties encountered in sending money parcels, mails, etc., are frequently referred to in the correspondence of the period. On May 30, 1836, the Gore Bank's cashier writes to Mr. Castle, of the City Bank, Montreal, saying, "I am much pleased to observe that you have received the parcel of money you lost last winter by the stage;" and in July he tells the same Montreal correspondent that "one of your parcels of bank notes is still in our vault as Mr. C. Ferrie thinks that your agents, Messrs. Ryckert and Company, at St. Catharines, may require it bye and bye." In another note to Mr. Ridout of the Bank of Upper Canada, he announces his intention of furnishing the captain of the "Britannia" with an iron chest so that he may safely send by that vessel each week all the notes of the Toronto banks taken in by the Gore Bank. A letter to

¹Appendix VI, p. 448.

John Ward and Company, New York correspondents of the bank, in February, 1839, asks them to forward the enclosed letters to England by the first steamer that sails, "if any in port at present, if not, by the first packet ship that leaves for London or Liverpool."

The authorized capital of the Gore Bank was £100,000, or \$400,000, divided into shares of £12 10s. each, and it was provided by the Act of Incorporation that when £10,000 had been paid in the bank might commence business. One of the first acts of the directors after their election had been to make the necessary call of ten per cent. on the subscribed stock¹ to be paid on or before May 2, 1836, and a sufficient amount was apparently paid in, for on that date the bank commenced business. Evidently many subscribers paid more than the ten per cent. called for, as the minutes of June 7, 1836, indicate that 3,723 shares, equal to nearly half the capital, were forfeited by the subscribers for non-payment of this call. As late as September, 1836, the cashier advises several correspondents that about 2,000 shares remained untaken, but by November 17 the number had been reduced to 244, and every effort was being made to get rid of these, so that the application for an increase might be made "with propriety." Evidently the period of speculative expansion was drawing to a close, with the usual accompaniments. As yet, however, strong demand

¹The calls on the original stock issue of the Gore Bank, the dates on which they were payable, and the amount realized on each as at January 8, 1838, are given below:

10% payable on May 2, 1836.....	£10,000	0	0
10% " " July 30, "	10,000	0	0
10% " " Sept. 30, "	10,000	0	0
10% " " Nov. 30, "	10,000	0	0
10% " " Jan. 30, 1837.....	10,000	0	0
10% " " Mch. 31, "	10,000	0	0
10% " " May 31, "	8,680	0	0
10% " " July 31, "	7,910	0	0
10% " " Sept. 30, "	6,431	5	0
10% " " Nov. 30, "	6,125	0	0
Total . . .	<u>£89,146</u>	<u>5</u>	<u>0</u>

for accommodation continued, and the banks were under pressure to increase their capitals. In 1835 the authorized capital of the Commercial Bank was increased from £100,000 to £200,000. Twice in 1836, the Gore Bank attempted to obtain an Act increasing its capital. On the first occasion the Assembly passed the bill and the Legislative Council threw it out, but on the second, the Governor, under instructions from England, withheld his assent.¹ A number of small private banks were organized and many bills providing for various kinds of paper money issues were passed by the Assembly at this time, and held up by the British Government. In 1837, when the expansive movement ended in collapse, the beneficial effects of the paternal control exercised by London were apparent.

In his *History of the County of Lennox and Addington*,² Mr. Walter S. Herrington, K.C., gives details regarding the formation of a private bank at the village of Bath, in that county, which came into existence, like various others, without legislative formalities. By a deed of settlement, signed at Bath, and bearing the date of February 11, 1837, the several parties thereto agreed to become partners in the Freeholders' Bank of the Midland District. This bank was to issue its notes payable twelve months after date, the notes being lent to persons applying for credits, who gave the bank their promissory notes at nine months, secured by their real property. The banking company was, on certain conditions, to renew the note for as long as required by the borrower. Herrington says: "Promissory notes of five and twenty-five shillings respectively, beautifully engraved and printed by a New York firm, were ready for issue. It is doubtful, however, whether any of them were issued, for just at this moment the boom burst."³ On March 4, 1837, the

¹Shortt, "*History of Canadian Currency, Banking and Exchange*," in the *Journal of the Canadian Bankers' Association*, VIII, 318.

²MacMillan Company of Canada, 1913.

³Notwithstanding the statement of Mr. Herrington, there is in the collection of The Canadian Bank of Commerce a \$1 note of this bank which bears every evidence of having been in circulation for a considerable period of time.

provincial legislature put an end to the activities of such companies as the Freeholders' Bank by passing an Act "to protect the public against injury from private banking." This Act forbade under heavy penalties the issue of any bank bill or note by anybody "associated without legislative authority."

At the time of the first attempt to increase the Gore Bank's capital stock, it appears that the Legislative Council had proposed to amend the bank's charter in several important details; one of the proposed amendments required the bank to pay to the Receiver-General all the net profits in excess of six per cent. per annum, until £5,000 had been contributed for the new charter. Naturally, this extraordinary proposition was highly objectionable to the bank's directors. Mr. Steven, the cashier, in a letter to Allan N. MacNab, dated March 30, 1836, pointed out that the directors were not averse to the principle of taxation of bank stock, but they considered the exaction a severe one, when similar institutions in the province were not subjected to the same conditions. Mr. Steven's letter concludes with the following ironical query: "What objections would be raised against the £5,000 being expended in the district to build a workhouse for the use of idle scamps? Would that proposition be listened to?"

In order to show the standing of the Gore Bank in relation to the two other banks chartered by Upper Canada, the following statement as of November, 1836, is appended:

	Upper Canada	Commercial	Gore
Paid-up capital	£200,000	£186,450	£61,005
Note circulation	226,654	175,123	29,530
Deposits	157,620	33,366	7,294
Loans and discounts	413,976	331,709	68,504

On June 15, 1837, the Gore Bank's paid-up capital was £80,381, its circulation £34,246, deposits £8,379 and loans and discounts £105,993. It had in 1837 commenced to pay dividends at the rate of six per cent. per annum. There were

then four private or unchartered banks operating in the province—the Farmers' Bank, the Bank of the People, the Agricultural Bank and the Niagara Suspension Bridge Bank—their aggregate capital being £98,000, circulation £71,000, deposits £12,000 and discounts £143,000. As regards branches and agencies, the Bank of Upper Canada in 1837 had five, the Commercial fourteen, and the Gore none. It is also to be noted that on the organization of the Bank of British North America¹ in 1837 that bank established a branch in Toronto.

The coming of the Bank of British North America with its Royal charter was evidently regarded as a menace to the local banks. The new bank, in accordance with its title, intended to have branches throughout the provinces of British North America, while the local banks could not have branches outside the particular province from which they received their Act of incorporation. Mr. Robert Carter, one of the directors of the new bank, had been appointed a special commissioner to visit the North American colonies for the purpose of promoting the interests of the bank and preparing the ground for the establishment of its branches. His activities formed the chief subject of a letter, not without its humorous aspect, addressed to Mr. Steven, cashier of the Gore Bank, by Mr. Benjamin Holmes, Montreal (Mr. Holmes was cashier of the Bank of Montreal from 1827 to 1846). The following extracts are taken from this letter, which bears date February 5, 1837:

“As respects your changing your account, I should much like that this bank should be the general agent of the several incorporated banks in your province; there would then be a bond of union against the encroachments contemplated by Mr. Carter's association, which with its widely spread branches and embryo agencies, aims at something very like a monopoly in both our provinces, and it will require a combined and strong effort, backed, as they will be, by Home influence, to withstand the control aimed at by the British North America Bank.

¹Now amalgamated with the Bank of Montreal.

"The monopoly above alluded to will, if adverse interests are allowed to operate in either province, be materially advanced, and as the three existing banks are in expectation of increasing their respective capitals, and this bank has determined also to increase its capital to at least £500,000 and perhaps £750,000, we should then, if we acted together, be able to more than cope with the Lombard Street gentry and be able so to play into each other's hands as to paralyze their kind intentions towards us, the imbeciles, as they suppose, of the two provinces.

"Our arrangement now with both Ridout and Harper is to collect paper in any part of this province and on the amount so collected we charge a quarter of one per cent.; on bills drawn upon this bank or its branches, bank-notes transmitted or bills of exchange credited in accounts no commission is charged—and we redeem their bank-notes as our own at our counter—send them up at our risk and on arrival they give a draft on their Montreal funds for the amount at sight, which is then and not before charged to the bank account. The bills sent here for collection to either party are subject to the same charge of one-quarter per cent.

"Each bank keeps two distinct accounts so as not to interfere with each other's funds—we render an account of collections once a month—and for collections made above for account of this bank Ridout twice a month sends a check on the Upper Canada account here.

"Ridout draws, as also his agents, at three days' sight. Of course there is no positive understanding that they shall overdraw, but they frequently do, and on the other hand they frequently have large balances to their credit, and we consider one as a set off against the other.

"This arrangement has continued several years, and it is no small satisfaction to be able to say it has worked well for the interests of all parties and no instance of complaint or inclination to disturb the understanding has yet occurred.

What changes may be necessary arising out of the establishment of Carter's bank (which you say has not been agreed to by the Assembly, but which I am informed from another source has been chartered) I cannot anticipate, but as already expressed I think it would be for your interest to open a correspondence with this bank and go hand in hand with Ridout, Harper and myself to resist innovations injurious to our several constituents.

"P.S.—Your bank notes have no circulation here at present and by entering into this arrangement you might reasonably expect that your notes would gain the same advantage here as have those of the Bank of Upper Canada and C.B.M.D.,¹ which has arisen altogether from our taking them as our own at our counter, which advantage your bills do not now possess."

It is an interesting peculiarity of the early banking correspondence that letters of the chief officers of the banks to each other, at least when not on routine matters, have no engraved heading, no indication that they are written on behalf of a bank, and no title added to the signature; indeed, they hardly seem to be of an official nature. The Bank of Montreal does not communicate with the Commercial Bank of the Midland District, nor the Bank of Upper Canada with the Gore Bank. Mr. Holmes deals with Mr. Ross, or his local representative, Mr. Harper, and Mr. Ridout deals with Mr. Steven.

Doctor Shortt explains² that Mr. Carter finally succeeded in removing much of the antagonism of the existing banks towards the Bank of British North America, so interestingly illustrated by Mr. Holmes' letter, one of his strongest arguments being the suggestion that his bank in virtue of its British and American connections would be able and willing to supply the colonies with specie. The scarcity of specie was a

¹Commercial Bank of the Midland District.

²"*History of Canadian Currency, Banking and Exchange*," in the *Journal of the Canadian Bankers Association*, IX, 10.

tremendous handicap for the banks and the business community. The deranged state of the currency in British America is fully dealt with in an article by Mr. R. W. McLachlan, covering a report made by Mr. Carter in 1837.¹

The early banking practice regarding collections and other routine matters differed in some respects from the methods of the present time. Thus the Gore Bank in 1836 requested the City Bank, Montreal, to have its Upper Canada collections made payable at the principal towns in each District, and not in every village where the promisors or obligants happened to be domiciled—Brantford and St. Catharines being specified as little villages in which it was expensive to collect paper. One of the objections mentioned as applying to collections payable in these little places is that in some cases there is only one notary, and if he happens to be absent bills cannot be protested.

At this time, in 1836, the Bank of Montreal apparently redeemed Commercial Bank notes in Montreal at one and a half per cent. discount, and the notes of the Gore Bank and of the Bank of Upper Canada were redeemed at a similar discount by the Lower Canada banks which acted as their respective agents. The Bank of Montreal purchased the Bank of the People in 1838, and its business in Upper Canada was transacted by that institution, but in Montreal it accepted the notes of the Bank of the People only at a discount. As regards foreign exchange, the Gore Bank, in January, 1838, reported to the Legislative Assembly that its bills of exchange on New York were drawn at three days sight, and on London at ten, twenty, thirty and sixty days sight. In November, 1838, the Bank of Upper Canada fixed its selling rate on New York at five per cent. premium. The banks in Upper Canada found it convenient to settle balances due those in Lower Canada by drawing on London, and the wide difference sometimes seen in the sterling rates,

¹See Appendix VII, p. 450. The article in question was published in *The Canadian Antiquarian and Numismatic Journal*, Third Series, V, 103-117.



HEAD OFFICE OF THE GORE BANK.

Hamilton, Ontario, 1870.

Still occupied by The Canadian Bank of Commerce.

as quoted respectively in Montreal and Toronto, occasioned protests at times from the bankers in Upper Canada. An extract from a letter from Mr. Steven to Mr. Castle of the City Bank in December, 1838, illustrates this peculiar state of affairs:

"As the rate of exchange on London continues about two per cent. lower than in this province, this bank will have to deduct that rate from all collections made for your institution after this date, thereby establishing a regular rate of exchange between the provinces; as it is, the banks in your city reap a good harvest of two per cent. on drafts on this province and keep us constantly in debt besides. This subject will be submitted to our Board on the 2nd proximo and [I] will then advise you their decision. The Bank of Upper Canada governs exchange matters, and she sells at fourteen per cent. premium¹ on London, and on New York at five per cent. advance, and I am told some of the other banks charge a still higher rate."

With reference to the discount in Montreal on the notes of the banks in Upper Canada and the differences in exchange rates, it may be noted that it was the custom for the Upper Canada merchants to receive their supplies from Montreal on credit; and the usual payment received by Montreal was a draft on some bank in Upper Canada or the notes of such a bank. The final settlement was often in the form of sterling exchange, which in Upper Canada was rated as a rule about two and a half per cent. higher than in Lower Canada. It is to be noted that an Upper Canada Act of 1836 fixed the value of the British shilling at 1s. 3d.—this being the Halifax currency rating, and a reflection of the great scarcity of coined money.

The year after the Gore Bank commenced business, the great panic of 1837 occurred. Among the causes of this panic in the United States might be mentioned the following:

¹The "fourteen per cent. premium" on London quoted by the Bank of Upper Canada would be on the old par, \$4.44 4-9.

1. The extensive conversion of liquid capital into public and private improvements during the preceding decade, in great measure due to canal and railroad building, and the opening of new areas to agriculture.

2. The vetoing of the renewal of the charter of the Bank of the United States in 1832, and the withdrawal of \$8,000,000 of government deposits the following year. This compelled that bank to curtail discounts and made money tight, and in turn led to the formation of countless State banks, great expansion of currency, free lending and wild speculation.

3. The treasury order in 1836 requiring payment for public lands in gold.

4. The failure of the crops for the two preceding years.

In the three years prior to 1837 Great Britain had poured vast sums of money into the United States, a large part of it being used to develop the Middle States. The monetary crisis in England during 1836 caused forced liquidation of American securities and the recall of British funds, and this precipitated the panic. In Canada the situation was aggravated by the political troubles which culminated in the rebellion of 1837.

With the collapse of the general speculative movement in 1837, the banks in the two provinces were subjected to the severest strain. Large numbers of the American banks suspended payment on May 11 and 12. Three large London firms closely connected with the American trade, known as the "three W's"—Thomas Wilson and Company, George Wildes and Company and Timothy Wiggin and Company—failed on June 2 and 3. On May 18 the Lower Canada banks suspended payment in specie, and this of course made it difficult for the Upper Canada banks to continue specie payments. Throughout 1837 and early in 1838 they were subjected to strong pressure from business men, who considered that if the banks discontinued their practice of redeeming notes in cash they would be able to discount business paper more freely. The

Toronto Board of Trade and other public bodies pressed strongly for suspension, and public meetings were held in various places to urge this upon the legislature. The proceedings of the public meeting at Cobourg on May 26, 1837, which was convened "to take into consideration the best means to be pursued in the present alarming state of the money market in this province," illustrate the attitude of the business interests towards this matter. At this assemblage, after throwing the blame for the situation on the United States, and stating that "it is not due to our extravagance, injudicious speculation or over-trading," it was urged "that the payment of specie by the different banks in the redemption of their notes is not only a serious loss to those institutions, but also to the public, by preventing the accommodation from the banks which is indispensable to the commercial community, and without which they must be involved in absolute ruin."¹ Among other arguments it was declared that in the opinion of the meeting it was absolutely necessary that Parliament should be convened without delay, in order that relief might be afforded.

¹These opinions seem to have been quite generally prevalent among the mercantile community of the day. In a letter dated October 28, 1837, from Isaac Buchanan of Hamilton (better known in later days as the Hon. Isaac Buchanan) to Mr. Steven of the Gore Bank, regarding some payments due on Gore Bank stock standing in his name, Mr. Buchanan says, "I may remark that my opinion is stronger than ever that a suspension ought to have taken place long ago of all the banks in U.C. [Upper Canada], and my views of the future have latterly become very gloomy. To the circumstance of non-suspension we may fairly attribute the present horrid currency which deluged, and which I begin to fear, will eventually swamp the country. By now suspending, the Gore Bank, be assured, could avert much of the calamity and attach to its interest the mercantile classes and the lower House of the legislature which has been so sadly humbugged." While Mr. Buchanan was for many years a very successful business man, his views on financial subjects appear to have been unsound in more than one respect. He became, a few years later, one of the chief advocates of an irredeemable government paper currency.

Another paragraph in the letter from Mr. Buchanan quoted above has a curious interest as possibly shedding some light on the origin of the custom prevalent among wholesale houses, of arranging to have all bills mature on the fourth of the month. He writes: "I make all our customers' acceptances fall due from 1st to 10th of each month, so as not to be annoyed with banking business all the time." }

On the other hand the Lieutenant-Governor, Sir Francis Bond Head, who was strongly backed up by the Home Government, worked energetically to prevent suspension. A letter of May 24, 1837, to the banks, written by command of His Excellency, states that "having recommended the Bank of Upper Canada to continue specie payments and having offered any assistance at his command to that bank, he now assures the other chartered banks in the province that whatever assistance it is in his power to afford to the Bank of Upper Canada under the present unparalleled demand for specie will be equally extended to each of the chartered banks in this province." On August 26, 1837, in a note from Lord Glenelg to Sir Francis Bond Head, the Queen expresses satisfaction "that the chartered banks of the province had, down to so late a period as the 20th July, persevered in the honourable course of fulfilling their engagements regardless of the risk or the losses to which they might be exposed by keeping faith with their creditors." However, in spite of the urgent appeal of the Lieutenant-Governor, the legislature on July 11 authorized the suspension of payment by the chartered banks and by the four private banks already mentioned.¹ On September 29, 1837, the Commercial Bank suspended payment in specie. The Bank of Upper Canada wished to do likewise, but the Lieutenant-Governor declared that the government bank must maintain its honour, and that institution continued to pay specie on demand until March 5, 1838, when the exhaustion of its cash reserve and the disturbances incidental to the rebellion forced it to suspend. Acting on the instructions of his directors, Mr. Steven, the Gore Bank's cashier, had journeyed to Toronto on July 15, 1837, to ascertain what action the other two chartered banks had taken, looking to the suspension of specie payments. Under date of March 8, 1838, the following Board minute appears:

"The subject of immediate suspension of specie payments being considered, the Board decide not to suspend

¹See p. 189.

until the will of the Lieutenant-Governor in the subject be known.

“Resolved that the cashier shall go to Toronto to-morrow morning for the purpose of making application to the Lieutenant-Governor for leave to suspend specie payment, and to ascertain whether His Excellency still intends to attach the conditions he did to the Commercial Bank when that institution took the benefit of the Act.”

The Lieutenant-Governor having consented to allow the bank to suspend without any conditions other than those required by the Act, the Gore Bank ceased paying in specie on March 12, 1838.

The solicitor of the Gore Bank, Mr. A. N. MacNab, the member of Parliament who obtained its charter, took a prominent part in the military operations in Upper Canada during the rebellion of 1837-38. In view of what has been said regarding the relations between him and Wm. Lyon Mackenzie, this will not surprise our readers. He was colonel of the Gore militia, and as the authorities had sent the regulars down to Lower Canada to deal with the more formidable uprising there, the Gore militia under Colonel MacNab proceeded to Toronto, and aided by a few pieces of artillery, was the main factor in dispersing the rebels at the Montgomery's Tavern affair. Later, when sympathizers from Buffalo and other American centres actively co-operated with the disaffected elements in Upper Canada, Colonel MacNab was in charge of the Canadian forces along the Niagara River, and the exploit of cutting out and destroying the “Caroline,” which had been supplying the enemy forces on Navy Island, was carried out under his directions. As this vessel was taken by force from American waters, vigorous protests were sent from Washington to London. The British Government apologized for the occurrence, but, nevertheless, Colonel MacNab was knighted soon afterwards.

A series of letters written by Mr. Steven in 1837 and 1838 gives an interesting side-light on the rebellion and other

troubles of that period, as seen from the banking point of view. To Mr. Castle of the City Bank, Montreal, he intimates on November 30 that the Gore Bank is refusing the notes of the People's Bank in consequence of reports affecting its standing, and with reference to the political disturbances he notes that Lower Canada is under martial law, opining that the public credit would be severely affected and that "we need not look for money or settlers from England next spring." Again on December 8, he tells Mr. Castle that "yesterday the insurgents were completely beaten and a price put on the heads of the ringleaders. We have been on duty here for three days and nights and am happy to say it is now at an end." Ten days later, writing to Mr. Holmes of the Bank of Montreal, he enters more into details, as follows:

"No doubt ere this you have heard of the disturbances in this province, and I dare say [they] gave great alarm in Montreal; the rebels were checked on the outset in a firm manner in Toronto, and the militia of this district have marched towards London in order to scour the country of a nest of rebels who had assembled at Parkland near Brantford, all of whom took to their heels when they heard of the approach of the Queen's troops. Mr. Mackenzie is at Buffalo, Bidwell and Rolph¹ are at Lewiston, but neither will be protected, much less encouraged, by the Government of the United States, so sooner or later those for whom a reward is offered must suffer for their crimes, and I consider that the present disturbance will benefit this province very materially, as it will purge the country of a set of restless beings who have for several years back done all in their power to retard all public improvements, and deter emigrants of respectability and means from settling among us."

Anxious to minimize the bad effect which the rebellion would have on Canadian credit in England, Mr. Steven

¹The Hon. M. S. Bidwell and Dr. John Rolph were associated with William Lyon Mackenzie in the political disturbances of 1837-38. Both were directors of Mackenzie's People's Bank, which was designed to combat the banking monopoly.

wrote a number of letters to Messrs. Reid, Irving and Company, the Gore Bank's London correspondents. These, like the other letters, indicate that the banking attitude was entirely unsympathetic to the cause of the rebels. In a letter to London, dated December 22, appears the following passage:

"No doubt ere this the account of the disturbances in the Canadas have reached London and I am happy to say that our troubles are at an end. Several of the ringleaders in both provinces are now taken and await their trials. The notorious Mackenzie has been driven by the Americans from Buffalo and has been obliged to take refuge on Navy Island, about three miles above Niagara Falls, from which place he will be ousted by the Canadian militia in a very few days."

Again, on January 16, 1838, he writes to Mr. Castle in Montreal:

"No doubt ere this reaches you the news of Mackenzie and his followers having left Navy Island will have reached Montreal, also the defeat of the rebels and invaders at Amherstburg, which I think will cool the valour of these would-be Texans¹ and I only regret most sincerely that the leaders have not been arrested."

On January 29, 1838, he tells London that "this province is now perfectly quiet. The rebels have all dispersed," and on March 31, he refers to the proceedings of the courts martial which tried the rebel leaders.

In July, 1838, after the rebellion in the Upper Province had been suppressed, Sir George Arthur, the new Lieutenant-Governor, urged the banks to resume specie payments. A communication from him, dated July 17, draws the attention of the directors of the Gore Bank to the question of resumption, and in inviting the banks to an early and private communication with him for the purpose of arranging simultaneous action, it proceeds: "His Excellency is fully aware that the Upper Canada banks did not adopt the measure of suspension from any undue apprehension of the consequences to themselves of

¹Texas was an independent republic from 1836 to 1846.

maintaining their obligations to the public inviolate, and I am commanded to say that the proofs of the solvency and the credit of these institutions, which have been afforded by their maintaining specie payments during times of unparalleled commercial difficulty, is much to the honour of the banks, and affords the best evidence of the wisdom of the legislature when it left a discretionary power in the hands of these important corporations to suspend the redemption of their notes in specie should necessity occur, arising from unforeseen or extraneous circumstances." The Gore Bank and the Commercial Bank were apparently willing to resume, but the Bank of Upper Canada demurred. The government bank in May, 1839, once more resisted an attempt to bring about the resumption of payments, but finally on November 1, 1839, the banks of the Upper Province began again to pay their debts in specie. The Lower Canada banks had resumed on June 23, 1838, but were obliged to suspend again on November 5, 1838. They resumed finally on June 1, 1839. It is worthy of note that the suspension of specie payments in 1837 was a unique event in the history of Canada until the action taken by the Dominion Government in 1914 to conserve our gold reserves; also it should be said that the suspension of the banks in 1837-39 was not complete; except for a very short period they did not refuse to redeem their liabilities in foreign and domestic exchange.

In the business world profound depression prevailed during the greater part of the period of suspension. Immigration declined, harvests were poor, real estate and chattels fell to about one third or one-half of their former values, and many settlers sold their farms and departed to the United States.

The minutes of the Gore Bank contain many interesting evidences of the general and severe monetary stringency that preceded and followed the panic of 1837. For instance, at the Board meeting of the Gore Bank on May 2, 1837, ten directors being present, it was decided by ballot by a majority of four

"that it is not advisable to discount any notes this week." Again next week the decision was "that it is still not expedient to discount." It will be noted that this second meeting, on May 9, was just two days before the suspension of the American banks. Under date of December 12, 1837, it was "ordered that the cashier may take the £5,800 in provincial debentures payable in London offering, and allow the owner the interest at five per cent. accrued thereon, provided the same can be paid for in anything but specie or Gore Bank notes." A Board note of April 3, 1838, orders "that all notes due 1st February are to be put in suit." Another, of July 10, 1838, is as follows: "The cashier having read the letter from the new districts of Barrie and Hastings, the Board desire him to say that at present this bank cannot lend either any money."

It is interesting to note the effect produced by the panic upon the circulation and specie holdings of the banks in Upper Canada prior to the suspension of payment in 1837:

	NOTE CIRCULATION			SPECIE	
	Jan. 1	May 15	June 15	May 15	June 15
Chartered					
Banks....	£404,823	£423,401	£319,244	£107,334	£78,884
Private					
Banks....	85,451	85,495	71,148	13,455	14,457
	£490,274	£508,896	£390,392	£120,789	£93,341

Breckenridge states¹ that, as the Bank of Upper Canada imported £40,000 in specie from New York between May 15 and June 15, the total loss for the month was £67,448, instead of £27,448, as shown by the above figures.

The Gore Bank commenced the payment of dividends in 1837. On June 1 of that year the shareholders received a dividend of six per cent. for the year ending May 1. Thereafter the dividends were paid semi-annually, but the dividend for the half-year ending November 1, 1837, was not paid until

¹Breckenridge, *The Canadian Banking System*, p. 88.

March 1, 1838, presumably on account of the unsettled state of the country caused by the rebellion. This dividend was closely followed by another of three per cent. paid on May 10. The six per cent. rate was continued until the close of 1839. In 1840 an eight per cent. rate was inaugurated and this was maintained without change for five years. The Commercial Bank, which had paid eight per cent. in 1834, 1835 and 1836, dropped its rate to seven per cent. in 1837, and distributed seven per cent. with a bonus of six per cent. in 1838. In 1839 it paid only four per cent. The Bank of Upper Canada distributed eight per cent. in 1834, eight per cent. with a bonus of four per cent. in 1835, and eight per cent. per annum in the four succeeding years. The Bank of Montreal had paid eight per cent. with a bonus of six per cent. in 1834 and again in 1835, eight per cent. with a bonus of four per cent. in 1836, eight per cent. in 1837, six per cent. with a bonus of sixteen per cent. in 1838, seven per cent. in 1839, and six per cent. in 1840. In some of the cases here referred to, the extra dividends were derived wholly or in large part from premiums paid on new stock issues. The extra dividend of sixteen per cent. paid by the Bank of Montreal in 1838 was apparently obtained in this manner; also the extra six per cent. paid by the Commercial Bank in the same year.¹ At that time, when new stock was sold at a premium, it was the custom to distribute the premium in the form of a dividend among the existing shareholders. Later it became the rule to add all premiums on new capital issues to the Rest or Reserve Fund.

The trade of Canada up to about the time of the union between the two provinces was mainly with the United States, and the balance then, as now, frequently ran strongly against this country. In 1836 and 1838 New York funds ruled at a premium of three per cent. The Gore Bank directors were willing to sell only to customers, or for gold, or for the two kinds of bank-notes they were obliged to redeem—their own and those of the Bank of Upper Canada, for whom they were

¹Breckenridge, *The Canadian Banking System*, p. 97.

redemption agents. Thus on August 9, 1836, we find a minute of the Board to the effect "that the cashier is directed to charge three per cent. on drafts on New York, but may draw at three days' sight instead of ten days' sight as heretofore;" and again on January 9, 1838, the Board ordered "that no drafts on New York shall be sold at less than three per cent. and only then to persons who keep a regular account at the bank, unless the same is paid in specie, Upper Canada, or Gore Bank notes."

There is continual evidence in the Gore Bank's records of the chronic scarcity of coined money during this early period of Canada's history. In July, 1837, in response to a request from the Commercial Bank, the Gore Bank loaned that institution £4,000 in silver, at the same time expressing the hope that it would be returned "in a week or two." In April, 1838, the cashier having intimated to the Board that a client, Mr. G. S. Tiffany, required about \$1,000 in gold, the directors acceded to the request, but stated that they would not dispose of sovereigns at less than 25 shillings each, or \$5 per £. In May, 1838, the cashier was authorized to write to Messrs. Reid, Irving and Company of London, the Gore Bank's English correspondents, desiring them to send out £10,000 in silver coins of sixpence and one shilling—if they were to be had; and if not, to send a part in sovereigns or half-crowns.

The aftermath of the panic and rebellion of 1837 left a strong impress upon the succeeding years of the Gore Bank. Banking was evidently a risky business in those days, and it may be that the underlying principles were not then as well understood as now, although there is evidence of the soundness of the views held by the men who managed the Gore Bank. In the minutes of October 3, 1837, during the height of the pressure upon the bank, when specie payments were suspended and week after week the Board declined to do any discounting, we find a resolution passed that the Board think it desirable to assist persons with means who are

purchasing wheat, and authorize the president and cashier to discount drafts on New York or Montreal, if they are satisfied that the money is to purchase produce. Probably the main difficulty in carrying out sound theories lay in the circumstances of the times. Had it been possible to confine banking accommodation to facilitating the movement of agricultural produce, history might have been different; but the season was short, and there was no manufacturing to provide a use for the money between seasons. Besides this, prices were low and profits, therefore, meagre. The handling of agricultural produce, alone, could not support a bank. In the undeveloped state of the country, landed property was the principal asset of most of the inhabitants, even of those reputed wealthy. Advances were usually made on the personal security of an endorser, and as endorsers never expect to be called upon to pay the debts for which they thus become legally responsible, it came about under these conditions that ultimately the security held for all slow and doubtful transactions was land. There was also an impression abroad in the minds of the general public, fostered by constant newspaper allusions, that the principal advantage or object of being connected with a bank as director or officer was the facilities provided thereby for paying one's debts by borrowing from the bank. It is true that this impression had received corroboration on more than one occasion. The institution known as the "pretended" Bank of Upper Canada at Kingston had come to its end in this way; the Bank of Upper Canada itself was frequently accused of similar practices; indeed, it is probable that none of the older institutions were free from the suspicion of them.

It will be remembered that one of the provisions of the charter of the Gore Bank had been that four out of the ten directors were ineligible for re-election until at least a year had passed. Whatever advantages this provision may have had, it rendered the composition of the Board unstable, and there was no likelihood of obtaining a Board which would work

well together in the interests of the bank, and would carry out a continuous policy in the administration of its affairs. Only two of the original directors served continuously during the first half dozen years of the bank's history, namely, Messrs. Colin C. Ferrie and Edmund Ritchie. As early as 1838 some signs of a difference of opinion among the members of the Board appear, and prior to the meeting of the stockholders in that year, two of the directors, Edmund Ritchie and the Hon. John Young, ventured to oppose the vote of the usual annual remuneration to Colonel Whyte for his services as president during the year. Some misunderstanding had arisen at this time between Colonel Whyte and the Hon. John Young, which led to friction. Colonel Whyte was, however, re-elected as president by a vote of 7 to 2, the Hon. John Young having been dropped off the Board. It would seem that the well-known pecuniary difficulties of the solicitor of the bank, Allan N. MacNab, were beginning to play a part in the trouble. Apparently for the time being his adherents had won the day. His brother, David A. MacNab, and his partner, John O. Hatt, were both elected as directors for the year, David A. MacNab having served as such from the beginning. At the first meeting of the new directors, Allan N. MacNab's appointment as solicitor to the bank was specially confirmed, but three weeks later steps were taken to secure an accounting from him for all the business of the bank in his hands. This was presented about four months later, and MacNab, now Sir Allan, received a special vote of thanks for his services. Shortly after he notified the bank that his partner, John O. Hatt, the director, would in future conduct the bank's legal business.

In the previous year the bank had bought from MacNab a lot in Hamilton on which to build a banking house, and immediately after the election of directors in August, 1838, a prize of \$50 was publicly offered for plans and specifications for a building to be erected for the accommodation of the bank and as a residence for the cashier, the front of the building and

the vaults to be of cut stone, and the cost not to exceed £5,000. After the change of control in the following year, the project was not gone on with and the bank's lot was eventually sold.

At the beginning of 1839 rumours began to circulate regarding the indebtedness to the bank not only of the solicitor but also of some of the directors, and it was said that an attempt would be made at the next annual meeting to secure control of the Board by the use of proxies. Messrs. Ritchie and Ferrie were the representatives of the discontented shareholders on the Board, and they became known as the Ritchie party, in contradistinction to those who supported the president, Colonel Whyte. The latter's firmest supporters appear to have been Messrs. David MacNab and John O. Hatt, the brother and the partner of the solicitor. The disagreement first shows itself in the official minutes at the meeting of May 28, 1839, when a long resolution is proposed and seconded by Messrs. Hatt and David MacNab to the effect that the transfer books show that some attempt is on foot to overcome the provisions of the charter, which disqualify stockholders resident outside the province from voting by proxy, and disqualify any person from voting at all, unless he has been a registered stockholder for at least three months previous to the election. To this end 680 shares, held by residents of Lower Canada and others, had been assigned to certain residents of Hamilton during the last ten days preceding May 5 (the election taking place on August 5) in such a way as to produce the greatest number of votes under the peculiar voting clauses of the charter. The directors therefore felt it their duty to make a full investigation into the matter, and the solicitor is instructed to take immediate steps by all legal means to protect the interests of the stockholders. By a vote of Messrs. Ritchie, Gage and Ferrie, three out of the six directors present at the meeting, consideration of the resolution was postponed for a week, the president not voting. The following week, the Hon. William Chisholm, another director, was present, and

joined the Whyte party in voting for the passage of the resolution, which was carried by the vote of the president. Messrs. Ritchie and Ferrie entered a written protest in the minutes against the passage of the resolution, as unfair to the stockholders and contrary to the true spirit and meaning of the charter. They further moved that a statement giving full particulars of the liabilities of every individual to the bank should be prepared, and sent with a copy of the proceedings of that day to every stockholder of the bank, before the next general meeting. It was decided to postpone consideration of this new motion until the following week, when it was negatived. The same directors were present as at the previous meeting, along with Ebenezer Stinson, who voted on the president's side. Mr. Gage deserted the Ritchie party on this occasion, and Messrs. Ritchie and Ferrie were alone in support of their motion. Instead, it was resolved that a statement along the lines asked for should be prepared and submitted to the Board only. As a result of the instructions given to the solicitor the previous week, proceedings were taken in the Court of Chancery, in the suit of Gore Bank *vs.* John Murray *et al.* Apparently the breach between the two parties on the Board had now widened until the Ritchie party was determined to oust the president at the next election. The cashier, Mr. Steven, had also become obnoxious to Sir Allan MacNab, and it was alleged that the former's influence was being exerted to turn Steven out. Some colour is given to this by the action of Messrs. David MacNab and Hatt in opposing the usual annual vote of thanks to the cashier, at the last meeting of the old Board prior to the election of August, 1839.

The contest had now been carried so far that it had become a matter of public knowledge and was taken up by the newspapers. The Toronto *Examiner*, published by Mr. Hincks, afterwards Sir Francis Hincks, said regarding Sir Allan MacNab's indebtedness in its issue of July 2, 1839, "The most prevalent report now is that the Gore Bank has become responsible for the principal judgment debts, including that of

the Bank of Upper Canada, and got security on Dundurn Castle and Sir Allan's other valuable property. We are inclined to doubt, however, the extent to which the Gore Bank is said to be involved, namely, £25,000." Rumour went even further, in accusing Sir Allan of direct wrong-doing. As a result, the directors at their next meeting instructed the cashier to write to the *Examiner*, denying the truth of the statements made, and advising that Sir Allan had given permission for all his transactions with the bank to be given full publicity if the directors should deem it necessary for their vindication.

The general meeting of stockholders was held on August 5, 1839. Unusual precautions were ordered by the Board for the examination of proxies and to ensure the due performance of their duties by the scrutineers. The result was a victory for the Ritchie party. Messrs. David MacNab and Hatt were left off the directorate, and the Hon. John Young was re-elected. Col. Whyte was also re-elected, but declined to serve any longer as president and resigned from the Board a week later. Mr. Colin C. Ferrie was elected president in his place by a majority of one over the other candidate, Mr. Edmund Ritchie. Colonel Whyte appears to have retired with the goodwill of both parties, and to have conducted the affairs of the bank with conspicuous integrity through a most difficult period. Immediate action was taken by the new Board to discontinue the Chancery suit referred to above, although there seems to have been some question of its being continued by some of the shareholders belonging to the disappointed party, with a view apparently to voiding the election of the new Board. Nothing, however, came of it. A little later an attempt was made without the knowledge of the directors to have the legislature amend the charter of the bank, and it may be presumed that this was done at the instance of the same party of disappointed shareholders. The Board naturally protested strongly against any such action, and the attempt was apparently dropped. Apart

from this incident, the attention of the directors was chiefly concentrated during the year on an effort to clean up the aftermath of the panic and rebellion of 1837, which had undoubtedly led to considerable sums being locked up in slow and more or less doubtful debts resting chiefly upon landed security.

Early in 1840 another abortive attempt was made to secure authority for an increase in the bank's capital. The necessary bill appears to have been passed by the legislature but failed to receive the Royal assent, because the requirements of the Imperial Government, referred to in Chapter I.,¹ had not been incorporated in it.

The more important banks in Canada have always derived considerable benefit from their connection with banks in the British Isles, through the issue to British settlers bound for Canada of letters of credit addressed to their Canadian correspondents. These letters of credit have been the means of providing the Canadian banks with many valuable deposit accounts; and of course they also created funds in London against which exchange could be sold. Mr. Steven, cashier of the Gore Bank, had noted the valuable business acquired by the Bank of Montreal through its connection with the British Linen Company, by the Bank of British North America from the Provincial Bank of Ireland, and by the Commercial Bank from the Commercial Bank of Scotland; and in 1839 and 1840 he endeavoured to establish similar connections overseas by which the Gore Bank might profit. The negotiations were carried on through Messrs. Reid, Irving and Company. They appear to have resulted in an arrangement with the Bank of Scotland, whereby that old-established institution was to issue letters of credit addressed to the Gore Bank.

In 1840 the Gore Bank decided to extend its operations to other parts of the Province of Upper Canada, and during the year made arrangements for agencies at Simcoe, St. Thomas, Woodstock, Galt and Guelph. In the following year Chatham

¹See p. 19 *et seq.*

was added. It does not appear that these were regular branches of the bank, but that a local business man or firm was chosen as agent of the bank to make payments on its behalf, collect bills, and receive deposits. A certain sum in the notes of the bank was deposited with the agents for these purposes, and they were allowed a commission of one-quarter per cent. on all transactions on behalf of the bank. Mr. Duncan Campbell was chosen for this purpose at Simcoe, Messrs. Shortt and Barwick at Woodstock, and Messrs. Hope and Hodge at St. Thomas. It is probable that most of these agencies developed later into regular branches operated by the bank's own officers in the modern way. Just when the change took place is not clear, but twenty years later the Gore Bank was operating regular branches at several of these places.

In 1841 Upper and Lower Canada were united and became the Province of Canada—the capital being at Kingston—and a general law enacted soon after the union authorized banks previously chartered by Acts of either of the old provinces to operate throughout the Province of Canada. The Bank of Montreal could now operate in Upper Canada under its own name. The year before the Act of Union went into effect, it opened several branches in the Upper Province, the legislature having given the necessary authority.¹ One of these branches was established at Bytown, now Ottawa.

In 1842, the Gore Bank was again exposed to a considerable amount of public criticism for alleged over-borrowing by the directors. On February 21, the *Hamilton Gazette* published an article under the heading "Gore Bank," in which it intimated that £48,000, or about one-half of the capital of the institution, had been lent to four of the directors. At this time the total assets of the bank did not amount to more than twice the capital. The paper went on to say that Mr. David Thompson, of the village of Indiana, Ont., one of the directors, had become alarmed at the state of affairs and had insisted on an investigation. These statements, or their

¹*The Centenary of the Bank of Montreal, 1817-1917*, 1917, p. 33.

purport, were repeated by the Toronto *Examiner* and other newspapers in the province, and led to considerable uneasiness in the public mind about the bank. The *Examiner* said that the notes of the Gore Bank were being generally refused in Toronto and had sold at a discount of twelve and a half per cent., and added that without expressing any opinion as to the truth or falsehood of the rumours thus circulated, "the run upon them which has doubtless taken place ere this, is a just retribution for their base conduct towards the Farmers' Bank a few weeks ago. Taking advantage of the public excitement in consequence of the failure of the Suspension Bridge Bank, an institution which everybody knew was almost exclusively in the hands of foreigners, the Gore Bank issued orders to its agents to refuse the notes of the Farmers' Bank. It is well known to every man in the province who has taken the trouble to enquire into the circumstances, that however unsafe the Gore Bank may be, it is impossible that the public may suffer any loss from the Farmers' Bank, the stockholders of which are all responsible for its liabilities, and able to pay them if they were twenty times greater than they are. On the other hand, suppose that the Gore Bank has been dishonestly managed, what security is there to the public that it will redeem one shilling of its liabilities, that it will not, in short, turn out a Bank of the United States on a small scale. At present we would not advise our friends to part with Gore notes under par, but we shall anxiously await further intelligence on the subject." The political animus in the attack is made clear by the reference to the Farmers' Bank, which was under the auspices of the Reform party, of which the *Examiner* was a supporter, and also by the reference in another part of the article to an expectation, that "some explanation would be given in the *Hamilton Journal*," the political opponent of the *Hamilton Gazette*, "by the friends of the bank."

The directors promptly called a special meeting of the Board to consider the statements made in the article appearing

in the *Hamilton Gazette*, and summoned David Thompson, the director specially mentioned in it, to attend. He did so, and wrote the following letter which was published by the *Gazette*, with "much pleasure" and the expression of a hope that there was no foundation for the rumours:

Indiana, 24th February, 1842.

Sir:

It is not without much surprise and regret that I have perused in the *Hamilton Gazette* of the 21st instant a paragraph headed "Gore Bank," in which it is stated that I, apprehending 'a screw loose,' insisted on an investigation into the affairs of the institution, and imputing to the directors of said bank improper motives, and in which you are pleased to make use of my name without my knowledge or consent. I beg to distinctly state I never did call for an investigation and that the directors have not a larger credit than that extended to others engaged in the same business; and now avail myself of this opportunity to state that I have been a director since 1839, and although I have not been a constant attendant at the Board, I am fully acquainted with the affairs of the institution and do assure the public that there is no such credit as forty-eight thousand pounds extended to four of the directors nor yet to the entire directors. I believe the situation of the bank to be in a sound and flourishing condition and fully entitled to the confidence of the public. My own confidence in the directors is evidenced from my having recently purchased stock to the extent of several thousand pounds, being desirous of increasing my investments. I beg that you will insert this communication in your next paper.

I am, Sir,

Your obedient servant,

David Thompson.

G. P. Bull, Esq.,

Editor, *Hamilton Gazette*.

This letter and the comments of the *Hamilton Gazette* upon it were copied into the *Toronto Examiner*, which added its

conviction that there was nothing in the rumours, but defended its action in publishing them. Public meetings were held in Hamilton and Dundas expressing confidence in the bank, and the Toronto Board of Trade considered the matter and passed a resolution of similar purport in which all the banks of that city concurred. Thus the storm blew over. An account of the meeting at Dundas has been preserved. It is described as a meeting of merchants and mechanics and others engaged in trade, and was held at Bamberger's Inn on March 5, 1842. The chairman of the meeting was Robert Holt, and the secretary, T. W. McKenzie. After a resolution of confidence in the bank had been passed, Mr. James B. Ewart, described as the "agent of a rival institution," defended the bank and stated that he was ready to redeem any sum of its notes in specie. Then Mr. Hugh Moore moved, seconded by Mr. Luke Parker, "that we are ready to receive thankfully notes of Gore Bank in any transactions we may have or in payment of outstanding debts."

A rather unusual feature of this incident is that we are able at this late date to trace with every assurance the source of the rumours which thus reflected on the standing of the Gore Bank. At the time of the contest for control in 1839 when the former president of the bank resigned, Mr. David Thompson, of Indiana, was one of the shareholders who took an active part in the proceedings which led up to the contest for control. At the election in that year he became a director, and as a member of the Board continued his opposition to those who had been the supporters of the former president. However, the lapse of time brought about its changes. Early in 1842 we find him in negotiation with the former president for the purchase of some stock of the Gore Bank, and in the course of a conversation, of which a record has been preserved, expressing his dissatisfaction at the way in which the bank was managed and making statements along the lines of those rumours which subsequently found currency in the public press. He

was at this time endeavouring to buy a considerable quantity of Gore Bank stock, and apparently his anxiety to obtain this somewhat discounted his criticisms of the bank's management. At least two of the other members of the Board are named as cognizant of his views, and it is probable that in the course of his negotiations for the purchase of stock the information he professed to possess came into the hands of some person who gave it wider currency than was prudent. At the annual meeting following this incident, we find Mr. Thompson serving with Col. Whyte on a committee of shareholders appointed to consider the revision of the bank's charter, a committee which does not appear ever to have reported. Thompson was re-elected as a director at this meeting, but nothing further transpired as to the reforms he proposed to bring about, and a year later he was dropped from the Board for a time. Probably some light is shed on the matter by the proceedings of an informal meeting of certain stockholders of the Gore Bank held in Montreal on July 16, 1842, the Hon. Peter McGill being in the chair, at which a resolution was passed, expressing "regret and alarm that certain parties are making exertions for the purpose of displacing the present board of management."

Business conditions improved soon after the provinces were united, and by 1844 expansion was again in evidence. This new era of prosperity lasted until 1847. As in previous years of expansion, there was a general movement among the banks to call up new capital, to enable them to meet the enlarged demand for credits. The reaction in 1848 and 1849 involved the banks in considerable losses. In 1847 the Gore Bank was considerably embarrassed as a result of the failure of Reid, Irving and Company, who had been London agents of the bank from the time of its establishment. When the news of the failure was received in the autumn of 1847 the cashier went to London, provided with funds to take up the Gore Bank paper accepted by Reid, Irving and Company, and with authority to appoint new correspondents. The bank's London

account was transferred to Messrs. Glyn, Hallifax, Mills and Company, who under the style of Glyn Mills and Company, were still its correspondents when the Gore Bank was merged in The Canadian Bank of Commerce.

It appears that shortly before the trouble with Reid, Irving and Company developed, the Bank of Upper Canada submitted to the Gore Bank a proposal for the amalgamation of the two institutions. On December 12, 1846, William Proudfoot, president of the Bank of Upper Canada, wrote to Colin C. Ferrie, president of the Gore Bank, stating that as the new capital stock of the Bank of Upper Canada not yet disposed of exceeded £100,000, the Board has been considering for some time past an amalgamation with the Gore Bank upon terms beneficial to the stockholders of both. The letter pointed out that the Bank of Upper Canada had been induced to make the proposal because of the friendly terms upon which the two banks had carried on their intercourse, and mentioned as an argument likely to have weight with the Gore Bank's directors, "that without a large capital the banking business of this country cannot be conducted upon advantageous terms, and that to those banks that have the largest capitals the best connections follow, and on the contrary that those banks who have small capitals must confine their transactions within very reduced limits."

The Bank of Upper Canada offered, if the merger went into effect, to redeem the notes of the Gore Bank and pay all its other liabilities, to continue the banking business at Hamilton and at all existing agencies of the Gore Bank, and to provide for the officers and agents of the Gore Bank on the same footing, terms and conditions as officers of the Bank of Upper Canada. Apparently the directors of the Gore Bank were not disposed to rush the negotiations and the matter dragged somewhat through 1847. However, the disaster to their London agents, with the consequent heavy loss and the uncertainty as to the success of a new stock issue, quickened their movements; and at a meeting of the Board on January

25, 1848—there being present the president, Richard Martin, David Thompson, the Hon. Adam Fergusson, John Davidson, Edward Jackson, Hiram Smith, James P. Gage, James P. Dickerman, and James Gage—the cashier was empowered to go to Toronto and consult the cashier of the Bank of Upper Canada about the union of the two banks. A resolution passed at the meeting stated that “this Board is impressed that such a step is now desirable; otherwise an application must be made to the legislature for increase of capital.”

The Bank of Upper Canada had by that time lost some of its desire for the amalgamation, and as the visit to Toronto of the Gore Bank's cashier did not result in materially forwarding the proceedings, the Hon. A. Fergusson, one of the directors, was authorized in February to conduct further personal negotiations with the officials of the Bank of Upper Canada. The Gore Bank's emissary on this occasion brought back from Toronto a definite refusal to proceed with the plans for amalgamation. Mr. Ridout, the cashier of the Bank of Upper Canada, stated that his directors had fully discussed the union, and that however much they might desire to concur in the arrangement, too much difficulty presented itself. He endeavoured to reassure the Gore Bank management as regards the consequences of the Reid, Irving failure, telling them that in the opinion of his Board the Gore would in due time recover from the shock. He also reminded them that the Gore District was of such extent and importance as to require a mother bank of its own, and that if the mercantile and other interests of the district desired to own a local bank with more extended capital than the Gore Bank possessed, they should lay before the Board the opinion of the public on this point.

Mr. Fergusson presented this decision to his fellow-directors on February 22, 1848, and at the next week's meeting of the Board it was decided to obtain the views of the stockholders of the bank regarding an amended charter and an increase of authorized capital.

Some delay took place in obtaining trustworthy information as to the outcome of Reid, Irving and Company's failure, and it was not until the annual meeting in August that the directors were able to make a statement to the shareholders regarding it.

The meeting was held on August 7 and the following statement of affairs showing the position of the Gore Bank as on August 4 was submitted:

LIABILITIES.

Capital.....	£100,000	0	0
Note circulation.....	59,360	15	0
Deposits.....	25,406	0	8
Dividends unclaimed.....	202	7	6
Profit and loss account.....	17,716	6	6
	<u>£202,685</u>	<u>9</u>	<u>8</u>

ASSETS.

Specie.....	£	9,802	5	10
Notes and cheques of other banks.....		4,933	19	11
Balances due by other banks and foreign agents		12,913	15	8
Real estate and furniture.....		5,025	1	8
Debts due to the bank.....		170,010	6	7
		<u>£202,685</u>	<u>9</u>	<u>8</u>

The claim on Reid, Irving and Company, of £45,175, appeared in this statement at face value under the heading of "Debts due to the bank." The net profits made between May 17, 1847, and August 4, 1848, were given as £7,856.

As it was uncertain what dividend the estate of Reid, Irving and Company would yield, and the capital of the bank had been impaired, the directors pointed out to the shareholders that the usual half-yearly dividends could not be paid until the recoveries from the Reid, Irving and Company debt, together with the accumulation of ordinary profits, had made good the deficit in capital account. Estimating the

loss on the London account at £33,000 and allowing for a balance of £17,000 accumulated in profit and loss account, there appeared to be a deficit of £16,000. The directors, therefore, submitted to the shareholders the following alternative: the shareholders could either forgo their dividends until the current profits covered the deficit and restored the capital to £100,000—the time required for this being estimated at three years—or they could submit to a reduction in the capital of the bank of £20,000 (the par value of the shares, £12 10s. each, being reduced to £10), in which case dividends would be resumed at once. The second plan was adopted, and the shareholders authorized the directors to apply for power to reduce the shares accordingly, and at the same time to apply for an increase of the authorized capital to £200,000. This was granted by the passing of chapter clxix, 12 Victoria, 1849, the preamble of which states that the reduction in the value of the shares is necessitated because of losses incurred through the failure of the bank's London agents.

At the meeting referred to, the stockholders were informed that during the preceding winter, after the failure of Reid, Irving and Company became known, evil-disposed parties had attempted to injure the credit of the bank, evidently with a view to buying up its notes at a discount and presenting them for redemption. This caused a run upon the bank, but although it lasted a considerable time, all rightful demands were met and confidence was soon restored. The directors also expressed their gratitude to the Bank of Upper Canada "for the very handsome conduct of that institution in offering any assistance that was or might be required on the occasion referred to."

The statement of the Gore Bank showing its position in August, 1848, may be contrasted with the following general bank statement of January 31, 1849, taken from the returns laid before the provincial parliament. It comprises the figures of La Banque du Peuple, Bank of Montreal, Commercial Bank, Bank of Upper Canada, Quebec Bank, City Bank,

Gore Bank, and Bank of British North America (Canadian branches).

LIABILITIES.

Promissory notes in circulation, not bearing interest.	£1,001,188
Bills and notes in circulation, bearing interest.....	.....
Balances due to other banks.....	109,309
Cash deposits, not bearing interest..	}..... 712,068
Cash deposits, bearing interest.....	
	<u>£1,822,565</u>

ASSETS.

Coin and bullion.....	£ 379,489
Landed and other property of the bank.....	137,588
Government securities.....	117,950
Promissory notes or bills of other banks.....	91,446
Balances due from banks and foreign agents.....	139,315
Notes and bills discounted or other debts due to the bank not above included.....	3,977,663
	<u>£4,843,451</u>

In this return, too, the Gore Bank's claim on Reid, Irving and Company was included under the heading, "Notes and bills discounted."

On May 22, 1849, the directors of the Gore Bank declared a half-yearly dividend of three and a half per cent. on the reduced capital. From 1845 to 1849, inclusive, the dividend distribution had been at the rate of seven per cent. per annum; nothing was paid in 1850; three and a half per cent. in 1851, and seven per cent. in 1852, 1853 and 1854. In 1842 the population of Western or Upper Canada had been 486,055, and in 1848 it was 717,837. The population of Eastern Canada in 1844 was 691,193.

It is interesting to note that about 1847 the practice of making longhand copies, in special books, of letters sent to

correspondents was changed to that of taking a copy by wetting the leaves of a book of tissue sheets and using what was called a letter-press, first to get rid of the superfluous water, and then to take an impression of the letter which was written with copying ink. Later this was improved by using a roller copying machine, containing a continuous roll of tissue paper on which to make the copies, this being afterwards cut into leaves and filed in binders or folders. About the end of the century the practice of making carbon copies of typewritten letters began, and has now almost completely replaced all other forms of keeping records of this kind.

At this stage we may properly take note of the organization of one of Upper Canada's early savings banks, and of the curious connection that existed between this savings bank and the Canada Life Assurance Company. In 1846 the newly incorporated Hamilton and Gore District Savings Bank commenced operations, there being nine directors, namely, Sheriff Thomas, J. Jaffray, William P. McLaren, E. S. Kennedy, H. C. Baker, Jonathan Simpson, Ebenezer Stinson, Charles M. Counsell and Dr. L. Billings. It was arranged that the Gore Bank should take charge of the Savings Bank account, and also allow one of its officers to receive and pay moneys in its office on behalf of the Savings Bank at certain hours not interfering with the usual banking hours. The Gore Bank appointed Mr. Street to take charge of the Savings Bank account and to act as treasurer and secretary—with the official designation of actuary. Deposits of one shilling, and up to £100, were received by the Savings Bank, interest being allowed at four per cent., provided the money remained three months. The rules required that fourteen days' notice should be given in case of withdrawals of £10 and over, but amounts under £10 were withdrawable at sight or on demand. Payments to depositors were to be made in the notes of the chartered banks of the Province of Canada. The Savings Bank proposed to deal in foreign exchange and to invest its funds in debentures,

mortgages, notes of the City of Toronto,¹ and the stocks of the banks in Upper Canada.

The progress made by the Savings Bank and the nature of its investments are shown by the following statements:

June 30, 1851.

LIABILITIES.

Deposits.....	£ 9,987	0	1
Interest on investments, etc.....	294	0	7
Surplus.....	651	10	2
	<u>£10,932</u>	<u>10</u>	<u>10</u>

ASSETS.

Bank of Upper Canada stock.....	£ 762	10	0
Commercial Bank stock.....	275	0	0
Gore Bank.....	1,750	0	0
Debentures.....	6,566	5	5
Cash on hand.....	1,518	10	5
Due on bank stock.....	8	5	0
Expenses for current year.....	52	0	0
	<u>£10,932</u>	<u>10</u>	<u>10</u>

Balance due depositors June 20, 1850.....	£ 7,577	3	9
Amount deposited since June, 1850.....	11,519	4	6
	<u>19,096</u>	<u>8</u>	<u>3</u>
Withdrawals since June, 1850.....	9,109	8	2
	<u>£ 9,987</u>	<u>0</u>	<u>1</u>
Now due.....	308	14	7
Interest paid to depositors for year 1850—4%.....	127	11	6
Total expenses of management, 1850.....			

¹Over a long period of time the City of Toronto issued notes bearing interest for one year, and intended to pass as money. These could doubtless always be bought to pay a good return. The Canadian Bank of Commerce has in its collection seven circulating notes of the City of Toronto dated from 1838 to 1851. It also has a similar note of the City of Hamilton dated 1855.

HISTORY OF THE BANK

December 31, 1855

LIABILITIES.

Deposits.....	£33,048	5	8
Surplus fund.....	5,110	12	2
	<u>£38,158</u>	<u>17</u>	<u>10</u>

ASSETS.

Municipal debentures.....	£22,319	8	3
Gore Bank stock.....	£3,730	0	0
Bank of Upper Canada stock..	762	10	0
Commercial Bank stock.....	275	0	0
		<u>4,767</u>	<u>10 0</u>
Mortgages.....	2,138	0	0
Real estate.....	540	0	0
Furniture.....	90	0	0
Interest on debentures, etc.....	730	10	11
Due on bank stock.....	190	14	0
Cash—not bearing interest.....	£3,534	14	8
Cash—bearing interest.....	3,848	0	0
		<u>7,382</u>	<u>14 8</u>
		<u>£38,158</u>	<u>17 10</u>

Present number of depositors.....	859
Interest paid to depositors in 1855.....	£1,249 9 9
Current expenses of management.....	417 1 6

On August 21, 1847, the Canada Life Assurance Company was established by Mr. Hugh C. Baker, local manager at Hamilton of the Bank of Montreal; and it commenced business under a Deed of Settlement or Copartnery in October of the same year, with a subscribed capital of £50,000, Mr. Baker being the manager, actuary and president.¹ In 1856 the Hamilton and Gore District Savings Bank sold its property and its business to the Canada Life Assurance Company.

¹*Life Echoes* (a magazine issued by the Canada Life Assurance Company), I. xxi., March-April, 1897.

Canada was then passing through the period of wild speculation and inflated values of real estate that preceded the panic of 1857. There was a clause in the Canada Life's charter permitting the company to receive money on deposit for accumulation; and the high rates of interest then prevailing induced the directors, in 1856, to take over the Hamilton and Gore District Savings Bank by virtue of this clause and to conduct it entirely as a proprietors' enterprise.

The arrangement between the two companies provided that all new deposit accounts should be accepted on behalf of the Canada Life, and that the Savings Bank should obtain the sanction of the existing depositors to the transfer of their balances to the Canada Life. In settlement of the accounts transferred, the Savings Bank was to deliver to the Assurance Company an equivalent in securities. In taking over the Savings Bank's investments, the Canada Life agreed to accept the bank stock at a rate to be ascertained by actual offer of sale; and the municipal debentures "at a discount of two per cent. for each year or part thereof until maturity, but not exceeding the maximum of twenty per cent., current interest being allowed until each date of transfer."

The departure into savings banking thus undertaken by the Canada Life Assurance Company is said to have led to unsatisfactory results, perhaps because sufficient care was not exercised in examining fully into the financial condition of the Savings Bank before taking it over.

Early in January, 1849, an officer of the Gore Bank named Turner was staying at a hotel in Woodstock, when he was robbed of a large sum in Gore Bank notes, variously estimated in the records of that day as £1,000 to £2,000. He was probably on the way to some branch office of the bank, and was carrying the money in a carpet bag, which was cut open and the bank-notes abstracted. Suspicion fell upon one Mark Long, who left the village rather hurriedly about this time, and a reward of £50 and two and a half per cent. of the amount recovered was offered by the Gore Bank for the apprehension

of the thief and the recovery of the stolen money. Not long afterwards a Mr. Merrigold, who had seen the advertisement and who was acquainted with Long, met the latter near the western extremity of Queen Street, Toronto, coming into the city on foot. He followed Long along Queen Street as far as the western police station of that day, and reported to the officer on duty there that he had seen the man who was suspected of having robbed the Gore Bank. The policeman then took up the pursuit of Long, and followed him until he stopped at the surgery of Dr. Rolph, of Rebellion fame, where he was arrested and taken before the mayor of the city for examination. As Long's appearance indicated that he had ridden into the city on horseback, two policemen were sent out to endeavour to trace his horse and to examine his baggage, if he had any. The horse was found at the Queen Street Hotel, at the extreme western end of the street of that name, and with it was a bundle containing nearly the whole of the money which had been stolen from the bank. In the following June, Long was tried and sentenced to three years in the provincial penitentiary for larceny.

It was shortly after this time that the Province of Canada was thrown into a ferment by the excitement attendant upon the passing of the famous Rebellion Losses Bill. Readers of Canadian history are familiar with the story of how the Governor-General, Lord Elgin, was mobbed in the riots which took place in Montreal, on the occasion of his giving the Royal assent to the bill referred to. A correspondent of the Gore Bank, who was visiting in Montreal at the time of these riots, comments as follows on the events which were taking place around him: "I should have been home ten days ago, but for the shameful rebellion we have had. I could weep over the loss of the magnificent libraries and other records of the country. This same outrage is a curious way of proving *loyalty* and yet they are ready to eat us up in this demoralized city if we hint that such acts are not the effect of *loyalty*. I hear Lord Elgin feels bitterly the insults offered to him by the



NOTES OF THE GORE BANK
 (See Appendix XII.)

St. Andrew's Society and the curling club—neither of these bodies are political, and he had supposed that the representative of the noblest amongst the many noble names in Scottish history was not unworthy of having his name enrolled on their lists of members. His carriage is a perfect curiosity and proves the venom with which the stones must have been thrown—it is completely riddled. Whilst mobbed by these madmen all His Excellency did was to order the dragoons not to cut, not to fire.”

He adds in a postscript: “Another row last night—this is a very *quiet* city, in which any man can get a broken head for a word, or even for no word.”

After the union of Upper and Lower Canada, the Government applied itself energetically to the work of developing the railway facilities of the country. The Guarantee Act of 1849 was one of the measures designed to encourage railway building. This provided for guaranteeing interest at six per cent. on a sum not exceeding one-half of the bonded debt, in the case of any railway over seventy-five miles in length, one-half of which had been constructed. Later on, in 1851, the scope of this Act was restricted, as it was feared that in its original form it would impose too heavy a burden on the public credit. Great activity in the promotion and construction of railways followed the enacting of this legislation. The Great Western Railway began active construction in 1851 and a considerable amount of American capital was invested in it. In the same year the Grand Trunk Railway Company was formed, the charters of several of the constituent companies being obtained in 1852. Among the latter were those of the Grand Trunk Railway of Canada East, the Montreal and Kingston, the Kingston and Toronto, and the Toronto and Guelph,—the last named having the power of extension to Sarnia. The intention of the promoters had all along been to combine these projects, and an Act of Parliament of December 18, 1854, amalgamated them under the name of the Grand

Trunk Railway of Canada. The construction of the railway was completed in 1860.

Referring to this period the *Montreal Daily Star* points out that it saw the accomplishment of many economic changes and improvements: "The whole municipal system was thoroughly organized; education was placed in tune with the most approved principles; the feudal tenure in what is now the Province of Quebec, a great barrier to progress, was abolished on equitable principles; representation of the people in Parliament was reformed and extended; civil and criminal laws were revised, amended and coded; reciprocal free trade in natural products was established with the United States; and the canal system perfecting the navigation of the St. Lawrence was completed. In the year 1846, there was in reality only one railway, of 16 miles in length, in the whole country, but in about a decade after that there was completed and in operation about 1,750 miles, of which the main trunk line was that of the present Grand Trunk Railway, by which the trade of the great lakes was secured and brought to the Atlantic at Portland, and to the ports of Montreal and Quebec, for export overseas."¹

The suspension bridge across the Niagara River, used by the Great Western for international traffic, was built in 1852. This structure was replaced in 1897 by a double-tracked steel arch bridge, for rail, vehicular and pedestrian traffic.

In the "sixties" the gauge of the Grand Trunk lines in Canada was five feet six inches, while that of the American lines of the company was four feet eight and one-half inches. To enable the cars of the narrower standard gauge to travel in Canada, a third rail was laid inside the wide Canadian gauge in 1864.

The municipalities had been authorized by the General Railway Act of 1851 to subscribe for stock in or to lend money to companies incorporated to construct railways and other public improvements. In 1852 the Municipal Loan Fund Act

¹"The Grand Trunk," *Montreal Daily Star*, Jan. 12, 1918.

enlarged the scope of municipal assistance to such projects. "Each municipality was now authorized to raise money on debentures for aid either to railways or to canals, harbours, and macadamized, gravelled or plank roads. When the debentures had received proper sanction, they were subject to the approval of the Governor-in-Council. When this had been done the debentures so sanctioned constituted the basis of the Municipal Loan Fund, which was in reality a pooling of local credit. Against this fund the Receiver-General was authorized to issue such provincial debentures as were necessary for the improvements desired; and from the money obtained from such provincial debentures the municipalities might take stock in, or make loans to, works considered of public necessity. The Receiver-General might also, at the discretion of the Government, make advances to the fund to meet the charges on it. To redeem its obligations at maturity, each municipality was required to contribute to a sinking fund."¹ Many of the municipalities in Upper Canada utilized the Loan Fund to embark upon unwise expenditures and afterwards defaulted in their payments. Finally in 1859 the Government was obliged to close the fund and to assume obligations outstanding against it, amounting to £3,000,000 currency.

In 1853, at the commencement of Canada's first important boom in railway building, there were in the two provinces only 205 miles of completed railway line. This comprised the Champlain and St. Lawrence, the Montreal and Lachine, the Montreal and New York, the Ontario Simcoe and Huron, and the St. Lawrence and Atlantic. The Great Western then had 235 miles under construction. In 1860 when construction practically stopped, 1,894 miles had been completed—of which the Grand Trunk, the Great Western and the Buffalo and Lake Huron made up the greater part.² It is estimated that about \$60,000,000 of capital was invested in railways and

¹McLean, *Canada and its Provinces*, X, 398, and XVIII, 445-452. See also p. 359 *supra*.

²*Canada and its Provinces*, X, 410.

canals between 1850 and 1856, nearly all of it coming from Great Britain.¹ The large and unprecedented expenditures in connection with this construction work, created numberless real estate booms and feverish activity in the commerce and industry of the province.² Business activity was also greatly stimulated by the Reciprocity Treaty of 1854 with the United States, which opened a new market for Canadian farm products. This development had a pronounced effect on the economic life of the province during the years following 1854. The Reciprocity Treaty was abrogated by the United States after it had been ten years in operation. Reaction came with the commercial crisis which began in September, 1857, and the effect upon Canada was aggravated by the almost complete failure of the harvest in that year, and the cessation of railway construction.

During the era of expansion, 1850-57, the Gore Bank participated in the general banking prosperity. In addition to the head office at Hamilton, it now operated six branches—London, Guelph, Paris, Simcoe, Galt and Woodstock—and was thus advantageously placed in a most desirable section of the province. In those days, however, the administration of banking credits was not so sound as it afterwards became. In the course of every important business boom the banks acquired a very considerable amount of paper that subsequently involved them in losses. The unsound assets accumulated during the period 1850-57 appear to have been a most important factor in crippling all the three banks originally chartered by the Province of Upper Canada. Losses developing out of these, along with others subsequently incurred, finally brought about the downfall of the Bank of Upper Canada

¹Shortt, "*History of Canadian Currency, Banking and Exchange*," in *Journal of the Canadian Bankers' Association*, XI., 107.

²The railway development in Canada occurred some years after the general commencement of railway construction in Europe. While Great Britain had a railway constructed and opened for traffic in 1825—the Stockton and Darlington—it was not until the period 1840 to 1845 that the British Isles and parts of Continental Europe experienced marked activity in railway building.

and of the Commercial Bank, and compelled the Gore Bank to submit to absorption by another institution.

During 1854 the bank had numerous requests from people in New York city for the employment of its funds there at high rates of interest, one of these communications, from the Merchants Bank, New York, dated in April of that year, stating that money finds easy investment at twelve per cent. on first-class paper.

In November, 1856, the president, Mr. C. C. Ferrie, died, and Mr. Steven was elected to fill his place, Mr. William G. Crawford being appointed cashier. The Board of Directors, in August, 1857, was composed of the following gentlemen: Andrew Steven, Thomas C. Street, David Thorburn, John Davidson, Peter Carroll, the Hon. Adam Fergusson, Richard Martin, John Triller, John Weir and J. P. Dickerman. In 1855 dividends amounting to eight per cent. were paid to the stockholders; from 1856 to 1861 inclusive, the rate seems to have varied from six to seven per cent.

The panic of 1857 differed considerably in various respects from that of 1837. In 1837 protested bills of exchange were to a large extent accommodation paper, while in 1857 such bills mainly represented legitimate transactions. However, it is to be remembered that there is always a considerable amount of international finance carried on by what are known as "pig upon pork" bills.

The situation in the United States is aptly described by an extract¹ from a letter of Jos. Shipley, Wilmington, to William Brown, a partner in the well-known private banking house of Brown Brothers and Company, New York and Boston, dated October 10, 1857:

"It would be superfluous in me in my seclusion to give you information on the terrible state of things here, as you will, of course, be better informed by those engaged in what is actually passing. People compare it with 1837. The panic now is probably greater than then, but as I think, with much less

¹J. C. Brown, *A Hundred Years of Merchant Banking*, 1909, p. 216.

reason, when we consider the far superior resources now of the interests concerned in proportion to the difficulties. Unreasoning panic prevails, the currency in great measure annihilated, and neither produce nor merchandise nor stocks nor real estate can be made available to pay debts—hence banks and wealthy solvent merchants are prostrated and the usual facilities of trade for getting produce to market are suspended. This can continue but for a brief period. The substantial resources and energy of the country remain to surmount at no distant day the temporary effects of insane speculation and improvident and premature railroad works, etc., beyond the available capital and labour of the country for the time, stimulated as they were by the influx of gold, which new element kept off the consequences so long as to blind (as it appears to me) the community to the danger, and to the lessons of experience.”

On October 14 the representatives of eleven banks met in Albany, and resolved that the general suspension of payment by the banks in the city of New York imposed upon the banks of their city the necessity for like action. The Canadian banks were congratulated on this occasion by their American correspondents on the manner in which they withstood the panic. Under date of December 3, 1857, there is in the Gore Bank's records a communication from Albany, reading as follows: “I feel proud that you have been able to go through the panic without the suspension of specie payment. Of course you have been kept under great excitement and much anxiety during the time, but it must give you much pleasure that you have gone through the storm so proudly.”

Conditions in Upper Canada in the years following the panic are shown by the following extract from a letter addressed to the Gore Bank by William Proudfoot, president of the Bank of Upper Canada, under date of January 24, 1859:

“I have many thousand pounds due me for land sold, but I find no one can pay this year; indeed I find it much worse

than last, although our merchants here say the local trade is improving. I do not know how your bank is paid, but we find an immense amount overdue and in suit—and the only chance of relief is through parties in England who are likely to invest moneys on mortgage. The trade and payments cannot improve much until we get off another crop, which it is to be hoped will turn out better than last year.”

After the collapse of the boom in 1857 a number of banking frauds and defalcations came to light. One was in connection with the government business of the Bank of Upper Canada, at Toronto. Another case which attracted wide attention was that of the agent of the Gore Bank in London. This official had a dual capacity—besides being in charge of the agency of the Gore Bank, he was county treasurer—and his large speculations involved the county as well as the bank in loss. Some light is thrown on the methods prevailing at this time in the Gore Bank, by a letter written to the bank in August, 1859, by a defaulting teller, apparently at the main office, whose cash was short £4,500. The defaulter, after transferring certain personal belongings to be applied upon the deficit, pleads in extenuation of his wrong-doing that his cash had never been examined while he was in the bank, and that there had never been an inspection of the office.

On January 1, 1858, the Act passed in 1857 providing for the inauguration of the decimal system of currency went into effect. It required several years of discussion before this could be brought about, but thereafter the dollar became the monetary unit of the country.

A by-law of August 6, 1860, passed by the shareholders of the Gore Bank, provided for setting aside £1,000 annually for the remuneration of the president and directors—this being apparently authorized for the first time by the “Act to amend and consolidate the Acts forming the charter of the Gore Bank.”¹

¹ 23 Victoria, 1860, c. cxvi.

There were several other interesting provisions in this Act. The real estate holdings of the bank were to be limited to a yearly value of \$20,000. The number of directors was reduced to seven, and the provision that four of the retiring directors were ineligible for re-election was abolished. No director was to act as a private banker. The change in the currency was recognized by the bank's capital being now expressed in dollars as \$800,000, divided into shares of \$40 each. The bank was empowered to impress the signatures on its bank-notes by machinery, and also to open a stock register in London, England. One-tenth of its capital must be kept invested in the debentures or public stock of the Province of Canada. The rate of interest to be paid on deposits was limited to the legal rate in the province, and the amount of notes outstanding to the total of paid-up capital, of gold and silver coin and bullion, and of debentures and other securities issued or guaranteed by the province. The total liabilities might not exceed three times the aggregate amount of the paid-up capital, the deposits made in specie and the government securities held. The bank might not lend money to any foreign state. Its charter was extended for ten years, from 1860 to 1870. The legislative details connected with the passing of this Act were attended to by two of the directors, Messrs. Thomas C. Street and Isaac Buchanan.¹

In 1860 the directors of the Gore Bank joined with those of the other banks in opposing Galt's proposed bank of issue, which was designed to transfer the privilege of note issue from the banks to the provincial treasury. The death of Mr. Steven, president of the bank, occurred in December, 1861. On December 17, 1861, the Board passed a resolution stating that ever since the establishment of the bank—for more than twenty-six years—he had been its chief and efficient financial officer, under whose skilful guidance and direction it had risen to its prosperous condition; in the words of the resolution, the

¹ In 1864 Mr. Buchanan became President of the Council in the second Taché-Macdonald Government.

directors desired to record their "high appreciation of his talents and ability, of his honour and integrity, and of his untiring zeal and energy in the management of the affairs of the bank, to which the best days of his life were steadily and anxiously devoted."

The position of the bank on June 30, 1862, according to the annual report, was as follows:

LIABILITIES.

Capital paid up.....	\$ 800,000 00
Rest.....	100,000 00
Contingent fund.....	16,448 83
Dividend No. 48 (4%).....	32,000 00
Note circulation.....	652,766 00
Deposits.....	548,791 18
Due to other banks.....	69,037 78
	<hr/>
	<u>\$2,219,043 79</u>

ASSETS.

Gold and silver.....	\$ 207,256 59
Notes and cheques of other banks.....	51,933 18
Due by other banks.....	107,082 26
Municipal debentures.....	117,601 89
Government securities.....	83,893 33
Discounts.....	1,560,248 96
Real estate and mortgages.....	71,027 58
Premises.....	20,000 00
	<hr/>
	<u>\$2,219,043 79</u>

The Rest and Contingent Fund combined stood at \$130,702 on June 30, 1861. The profits for the year ending June, 1862, were \$102,886, and a dividend of \$4,872 on the old claim against Reid, Irving and Company was received during the year.¹ This gave the directors \$238,462 to dispose of.

¹This was only one of a number of dividends received from time to time. It is not possible to trace all the details, but a second dividend, amounting to 6d. in the £, had been paid as early as March, 1849.

The dividend of eight per cent. absorbed \$64,000, the tax on circulation \$4,980, and the bad debts written off amounted to \$53,032, leaving \$100,000 in the Rest and \$16,448 in the Contingent Fund as shown in the balance sheet.

Civil war was now raging in the United States, and the annual report of 1862 declared that it "had unsettled one important branch of our trade and almost wholly destroyed another, and forced some of our most enterprising men, after serious losses, into other channels with which they are less familiar, for employment of their capital and reward of their industry," and the Board enunciated its policy as follows: "Our transactions with the United States, heretofore of highly lucrative nature, must now be limited to the lowest point consistent with the interests of our customers." The seven members of the Board at this date were: Thomas C. Street, president, James Logie, George Rolph, John Weir, Calvin McQuesten, the Hon. Samuel Mills and Richard Martin.

On January 1, 1863, Mr. W. G. Cassels, who had been in the service of the Bank of British North America, was appointed manager of the Gore Bank at a salary of £1,000 per annum, guaranteed for not less than five years, provided that the business of the bank was conducted satisfactorily to the Board. This was reckoned a very large salary at the time, and was the subject of comment. At the annual meeting of shareholders held on August 3, 1863, the announcement was made of Mr. W. G. Crawford's resignation as cashier, and on September 15, Mr. Cassels was appointed in his place. Mr. Cassels, down to this time, had signed as "manager," the title under which he had been first appointed.

It is interesting to note, in the records of a Board meeting on January 20, 1863, a reference to the fact that Mr. Erastus Wiman had asked the bank to become a subscriber to the Mercantile Agency.

On February 17, 1863, the directors resolved to apply to Parliament for power to increase the capital stock of the bank to \$1,000,000, and to alter the scale of voting for the election

of directors. The resulting Act¹ gave power to increase the capital, and modernized the scale of voting for directors so as to assimilate it to that of the other banks in the province. In doing this, the number of votes which any stockholder might cast was increased from fifteen to twenty, and those not actually resident within the province were given the power of voting by proxy. No shareholder who was not a British subject was allowed to vote. In April, 1864, steps were taken to issue \$20,000 of the new capital, which would have brought the total amount issued up to \$820,000, but only \$9,280 of the additional amount was ever disposed of.

Up to 1854 the banking business of Upper Canada was mostly in the hands of the Bank of Upper Canada, the Commercial Bank, the Gore Bank, the Bank of Montreal and the Bank of British North America. About this time appeared a number of new banks, some of which soon assumed positions of importance. Among them were the Bank of Toronto, chartered in 1855, and the Ontario Bank, in 1857. The Royal Canadian Bank was incorporated in 1864, and three years later, in 1867, The Canadian Bank of Commerce also entered the field. Next year, in 1868, the Merchants Bank of Canada, having acquired the estate of the Commercial Bank, began to take an active part in the banking affairs of the Upper Province.

In 1866 the Provincial Note Act was passed, authorizing the Government of the Province of Canada to issue its own legal tender currency notes up to a maximum of \$8,000,000. The Receiver-General was required to hold twenty per cent. in specie against issues up to \$5,000,000, and twenty-five per cent. in specie against issues in excess of \$5,000,000. The balance of the cover for the notes was to be held in the form of provincial debentures. Up to this time the paper money in use had consisted entirely of bank-notes, and one of the principal motives of the Government in thus seeking to displace the bank-note currency was to relieve itself from the

¹ 26 Victoria, 1863, c. lvii.

financial pressure arising from its floating debt. Each bank was invited to surrender its issue power voluntarily, the Government offering to pay five per cent. per annum on the amount of notes outstanding on April 30, 1866, until the expiry of the bank's charter. The bankers were also offered a commission of one-quarter per cent. for the service of issue and redemption of the provincial notes, and any bank withdrawing its circulation on these terms was relieved of the obligation to invest one-tenth of its paid-up capital in provincial debentures, the Government agreeing to redeem at par the debentures then held by the banks, which were valued in the market at 83. The Bank of Montreal was the only chartered bank to accept the Government's proposals; by doing so it put into liquid form a debt of about \$3,000,000 which had been owing to it by the Government. The other banks retained their circulation rights, and some time afterwards the Bank of Montreal resumed its right of issue, terminating its arrangement with the Government.

The Provincial Note Act of 1866 formed the basis of the system of Dominion note issues now in vogue. In 1868, after confederation of the provinces, this Act was re-enacted, with certain changes to make it apply to the whole Dominion. At Confederation the Dominion Government also assumed the treasury notes of the Province of Nova Scotia, which at that time amounted to \$605,859; by 1872 this amount had been reduced to \$61,685.

During the greater part of the nineteenth century the banks were much troubled by counterfeiters; clever criminals, more or less expert in engraving, bent their attention to forging bank-notes. Thus we find the following minute in the Gore Bank's records under date of October 29, 1868: "The members of the Board who were requested to examine the notes in the Treasury for the purpose of detecting spurious notes report that they found 81 forged four dollar notes, \$324." It appears that shortly before this date the teller of The Canadian Bank of Commerce at Hamilton asked the

discount clerk, who is now the president of the bank, to look over his \$4 bills from other banks, because of a recently discovered counterfeit \$4 bill of the Niagara District Bank. The discount clerk was regarded as an expert in counterfeit money; and while there were no counterfeit bills of the Niagara District Bank in the cash, he found a counterfeit \$4 bill of the Gore Bank, hitherto undetected, and a remarkably clever forgery. The note was presented for the opinion of the Gore Bank, and the doubt thrown upon it was regarded as another attempt to attack the credit of the bank. The discount clerk in question was sent for and roundly abused for his reckless statement. He soon convinced the head office of the Gore Bank that the note was forged, and hence the minute.

Notwithstanding its extensive load of doubtful assets, the Gore Bank, like the Bank of Upper Canada and the Commercial Bank, managed to carry on its business for several years after 1857, presenting to the public an appearance of strength. The new manager endeavoured to have the discount lines at the branches reduced, and his letters and circulars to them during this period refer continually to the necessity of cutting down the discount business. Thus in April, 1864, the agents were instructed that a reduction must be effected as soon as possible, as the amount of bills discounted at the agencies was much too large. Again, in May of the same year, the agent at London wished to take up an important account, but the cashier would not entertain the proposal—the amount was much too large for the Gore Bank to handle, and London must reduce its paper. In Britain during 1866, financial confidence had been temporarily destroyed by the failure of Overend, Gurney and Company. On May 2 the Bank of England rate was eight per cent., and on May 5 it was raised to nine per cent. On May 23, 1866, the branches of the Gore Bank were officially warned from head office “not to purchase bills on England except bank drafts drawn out of the province, unless from most undoubted parties,

because of the disastrous consequences which may follow the commercial panic in England."

When the Bank of Upper Canada closed its doors in 1866, it was acting as Montreal correspondent for the Gore Bank, and owed the latter \$78,000. This of course was locked up and the circumstance caused the Gore Bank considerable embarrassment. The cashier stated in a letter to the Guelph agency, dated September 19, 1866, that "it will require the utmost prudence on the part of our managers in conducting the business of the bank to avert serious consequences," and the occasion is made use of to impress on the branch officials the necessity for a drastic cutting down of discounts. The Montreal account of the Gore Bank was transferred to the Commercial Bank, but apparently the Bank of Montreal took care of those of the Gore Bank's drafts on the Bank of Upper Canada, which were outstanding at the suspension of the latter institution. In a private circular issued on October 6, 1866, Mr. Cassels, the cashier, informed the agencies that the Bank of Montreal had given him notice that all balances at points where that bank and the Gore Bank had offices must be settled for daily in specie or provincial notes. The concluding sentence of the circular indicates that the position of the Gore Bank was becoming precarious; after giving again the oft-repeated instructions for liquidation of discounts, the cashier says: "You must consider the loss of accounts as of no importance at present."

The situation being so difficult, it will be understood that when the Commercial Bank closed its doors in the autumn of 1867, the Gore Bank was confronted with a dangerous crisis. At the time of its suspension the Commercial Bank was still carrying the Montreal account of the Gore Bank, and its sudden and unexpected failure deranged the latter's business, causing most disastrous consequences. The executive of the Gore Bank approached the Bank of Montreal and were met in the most liberal spirit, offers of assistance being voluntarily made. However, the suspension of the Commercial Bank

was not the only circumstance affecting the standing of the Gore Bank; a number of merchants whose accounts were carried by it failed, and exaggerated reports of losses connected therewith accentuated public feeling. Before the end of October, 1867, distrust in the bank was manifested, and this continued until it became general. Several large stockholders became alarmed, and placed stock in the hands of brokers with instructions to sell at almost any price, while depositors and note-holders demanded satisfaction of their claims. Between June 30, 1867, and June 30, 1868, the deposits had shrunk from \$1,067,000 to \$304,000, and the circulation from \$550,000 to \$211,000, or about \$1,100,000 altogether; resulting in a reduction of the total assets to slightly under \$1,500,000. These developments formed the subject matter for much of the discussion at the Board meeting of August 3, 1868. After wiping out the Rest of \$75,000, the losses of the bank were estimated at \$222,000, there being already a debit balance of about \$10,000 in profit and loss account. At this meeting Mr. Æmilius Irving, K.C., was elected president in lieu of Mr. T. C. Street.

Among the accounts withdrawn during this period was that of the city of Hamilton. On May 5, 1868, the cashier reported to the Board that the city corporation had threatened to withdraw its balance of \$120,000, and that as a result of a conference between councillors Lawson and O'Reilly representing the city, and Messrs. Street, McQuesten and Mills representing the bank, an agreement had been reached by which the council was to take no further action pending the making of arrangements by the bank to enable it to pay a considerable sum in liquidation of the amount due to the city. The chairman of the city's finance committee also signed a letter notifying the public that relations between the bank and the city continued as heretofore. Subsequently the balances of the city were paid off and the account withdrawn. As the heavy demands of depositors and note-holders still continued, and as the representatives of other banks in

Ontario had expressed their willingness to assist the Gore Bank in case of need, the Board despatched the president and the cashier to Toronto to lay before the representatives of the Ontario banks such information as might be necessary to enable them to decide whether it would not be expedient to afford assistance to the Gore Bank as a means of preventing its suspension.

Two days later the president reported that he had met the representatives of the Bank of Toronto, The Canadian Bank of Commerce, Royal Canadian Bank, Merchants Bank and Ontario Bank, and had submitted to them the Gore Bank's balance sheet with full information respecting its assets. Thereupon these institutions agreed, as soon as the correctness of the information given could be established, to advance \$200,000 on the security of a deposit of bills receivable sufficient to cover the loan and interest. This deposit was to be made with Messrs. Hague (Bank of Toronto) and Woodside (Royal Canadian), acting for themselves and the others. A deputation consisting of Messrs. Dallas (Commerce), Hague and Woodside, then proceeded to Hamilton with Messrs. Street and Cassels, made a thorough investigation of the affairs of the bank, and took delivery of the bills receivable, the receipt of the proceeds of the loan being reported to the Board on May 12. About the same time the Bank of Montreal advanced \$150,000 to the Gore Bank on similar security. Of the discounted paper pledged as collateral to these loans, all but \$73,000 had been paid by August 3, 1868.

When the Bank of Upper Canada went into liquidation the business community was very seriously inconvenienced by the lock-up of funds. An attempt was made to make the claims on the defunct bank more realizable by converting them into certificates of indebtedness. The Gore Bank, like other creditors, had been paid in these certificates and endeavoured to dispose of them. Thus on August 8, 1868, at a special meeting of the Board, the cashier was instructed to advertise in several newspapers for offers for Bank of Upper



NOTES OF THE GORE BANK
(See Appendix XII.)



Canada certificates and City of Hamilton debentures. (The city of Hamilton was then in financial straits, and its debentures sold at between 65 and 70 even after its creditors had readjusted the interest rate on them.) As regards the Bank of Upper Canada certificates, they were first offered for sale in August at 67 cents on the dollar; in October the price asked went down to 65 cents, but still no sales were made. In November Messrs. Blaikie and Alexander offered to take \$5,000 at 62 cents, but the Board would not sell. In December the bank was encouraged by a report of a sale of \$12,000 at 64, but disappointment followed in January when this purchaser declined to carry out his bargain. Messrs. Pellatt and Osler offered 61 for \$10,000 of the certificates in March, 1869, but did not get them. Finally in April, Mr. J. W. B. Rivers of Brockville, and a Mr. Travers, each bought \$4,500 at 60, and the remainder were sold in May at 59¾.

An interesting side-light on the impaired standing of the Gore Bank with the public in 1868 and 1869 is obtained from the two incidents related below. In June, 1868, the cashier, having been informed that the postmaster at Norwich had refused Gore Bank notes and was advising depositors to withdraw their funds, wrote a letter of complaint to the Postmaster-General. In due time a communication was received from Ottawa enclosing a letter from the Norwich postmaster denying the charge and stating that he ought to have an apology from the bank. In August the president, Mr. Irving, resigned from the Board and was succeeded as president by Mr. Edward Martin, the Hon. S. Mills being elected a director. Mr. W. G. Cassels, the cashier, tendered his resignation in October, 1868, and Mr. S. Reid succeeded him. Shortly after his appointment the new cashier was obliged to deal with an unpleasant occurrence in Galt. What took place is fully explained by the cashier's letter to the Galt manager which reads as follows: "You surprise me by stating that the notes of the Gore Bank are refused by your customers in consequence of the [prospective] closing of the

Galt branch. The undoubted ability of the bank to meet all these liabilities must be well known to you. As the good people of Galt have become suddenly distrustful of us, the Board will, I have no doubt, at its meeting on Monday, consider it necessary to close the office at once and require repayment of loans somewhat more promptly than they at first contemplated. In the meantime please close as many of your deposit accounts as possible."

At the annual meeting in August, 1868, it developed that the whole of the reserve fund, and about one-third of the paid-up capital, had been lost through bad debts; some of the larger losses had been incurred in consequence of the crisis of 1857, but had never been written off. The shareholders dismissed all but one of the old directors, and a committee was appointed to investigate the affairs of the bank¹. This committee reported on October 17, 1868, that the actual losses up to June 30, 1868, not written off were \$287,784.03, or about \$85,000 more than the estimate given to the meeting on August 3. The branches at London, Guelph and Paris had been closed shortly before the committee commenced their investigations; the three remaining ones—Simcoe, Galt and Woodstock—were inspected. At Woodstock it was found that the funds had been misapplied by the agent and that a considerable number of bad debts had been incurred. The investigating committee stated in their report that the staff was unnecessarily large and that the inspection system was inefficient.

It was on receipt of the report of this committee that Mr. Cassels, the cashier, resigned. The Board sent the shareholders a concurrent report pointing out that, as the capital had been heavily impaired, the terms of the charter prevented the payment of dividends until the deficiency should be made up, and it would be necessary to consider what

¹Adam Shortt, "*History of Canadian Currency, Banking and Exchange*," in *Journal of the Canadian Bankers' Association*, XIII, 107.

course should be adopted. At the adjourned annual meeting held in November, statements were submitted showing that the actual capital had been reduced from \$809,280 to \$493,813.43, and it was decided to apply to Parliament for an Act to reduce the capital by forty per cent., thus making the par value of each existing \$40 share, \$24. It was decided also to ask, among other amendments to the charter, that a director should be required to hold stock of the par value of \$1,000 fully paid-up.

At a meeting of the directors held on February 22, 1869, Mr. Reid, the new cashier, presented a financial statement of the bank's position after reducing the capital stock forty per cent. and writing off all bad and doubtful debts. He recommended the closing of the branches at Galt, Simcoe and Woodstock. The Board assenting, negotiations were opened with The Canadian Bank of Commerce, and these branches were transferred to that institution.

The statement presented by Mr. Reid was as follows:

LIABILITIES.

Capital stock	\$485,468 00
Reserve fund.....	36,854 33
Circulation.....	160,973 00
Deposits bearing interest.....	\$87,785 70
Deposits not bearing interest..	83,060 24
	<hr/>
	170,845 94
	<hr/>
	\$854,141 27
	<hr/> <hr/>

¹The statement prepared for the Board, before any entries were made in the books, contains some errors. The reduced capital should be \$485,568, and the addition of the assets is incorrect.

ASSETS.	
Cash.....	\$165,889 34
Real estate.....	5,374 32
Bank premises and office furniture, etc.....	13,200 00
Government debentures, par value \$83,333.....	76,114 66
Hamilton debentures, par value \$104,000.....	67,800 00
Bank of Upper Canada certificates, par value \$37,020	24,715 00
Mortgages.....	35,801 92
Balances due from other banks.....	17,392 94
Notes and bills discounted	
Current	\$337,819 27
Past due.....	31,355 14
	<hr/> 369,174 41
Other debts	78,677 13
	<hr/> <u>\$854,141 27</u>

February 10, 1869.

As the capital stock at this time was nominally \$809,280, the reduction of 40 per cent. above referred to would provide \$323,712 to be applied in writing down the assets.

The Board had taken action at once to secure the legislation approved at the November meeting of the shareholders, and in March decided also to ask for power to change the name of the bank to "Bank of Hamilton," provided the shareholders should agree. The bill embodying the necessary legislation was approved by the Board on May 3, 1869, and promptly passed both Houses of Parliament, becoming law on June 22, 1869. In addition to the provisions for the reduction of the capital and the change of name, it gave power to the bank to consolidate the reduced \$24 shares into \$50 shares, and to increase the capital to \$1,000,000. There were also clauses empowering the shareholders to pass by-laws reducing the number of directors to five and abolishing the old scale of voting so as to allow one vote for every share. The legislation, however, came too late and was never acted on.

In the meantime there had been a drop in the price of the bank's stock. From 92½ in October, 1867, it had declined to 80 in December; 70 in April, 1868; 60 in May; 50 in June, and 30 in October. The dividend was stopped in the second half of 1868. Although the bank was not insolvent, it was recognized that its continuation as an independent institution would involve a long struggle under discouraging circumstances, so that it was decided to sell out. There was a lively contest for the property between the Bank of Montreal and The Canadian Bank of Commerce, in which the latter was ultimately successful.

The Hamilton *Evening Times* of August 31, 1869, has an interesting account of the adjourned annual meeting of shareholders held that day at the banking house, at which Mr. E. H. King of the Bank of Montreal and the representatives of The Canadian Bank of Commerce were present. The Boards of The Canadian Bank of Commerce and the Gore Bank had arrived at a provisional agreement after a series of meetings, it being arranged that the shareholders of the Gore Bank should receive for their old shares of \$40 par value, 55 cents on the dollar in Canadian Bank of Commerce stock, which would commence to pay dividends from January 1, 1870. The shares of The Canadian Bank of Commerce were then quoted in the market at around 105. This agreement was read, and Mr. Thomas C. Street, seconded by Mr. Waldie, moved that it be confirmed. Mr. King was then introduced by Mr. Martin, and proceeded to read to the shareholders the proposal of the Bank of Montreal. The Bank of Montreal offered to pay the stockholders of the Gore Bank 57 cents on the dollar in shares of the Bank of Montreal, then valued at \$160 per share. The purchase money was to bear interest at seven per cent. from September 1, 1869, until the stock of the Bank of Montreal to be given in exchange was issued, and dividends were to be paid on this stock from the date at which the interest on the purchase money ceased. Mr. King's bank also proposed that the stockholders of

the Gore Bank should agree to sell the stock they received at \$165 per share, if required to do so, provided that the Bank of Montreal guaranteed to make good any difference between \$160 and the market price of the stock on the date of issue.

There was a spirited discussion of the relative merits of the two offers, in the course of which some of the shareholders displayed sharp antagonism to Mr. King. The Hon. Wm. McMaster, who represented The Canadian Bank of Commerce, then amended the offer of his bank so as to make it include interest on the purchase money from June 30, 1869, at seven per cent. Mr. King responded by stating that the Bank of Montreal would also amend their offer by paying interest from June 30 at seven per cent. Mr. McMaster replied that he had gone as far as he was authorized, but still held that the Commerce terms were more advantageous. Mr. Martin introduced a resolution for the carrying on of the Gore Bank as an independent institution, as before, provided all the directors resigned, but this was lost unanimously. Finally, on taking the votes on the two offers, it was found that the proposition of The Canadian Bank of Commerce had the support of 1498 shares, as against 423 shares voted in favour of accepting the offer of the Bank of Montreal.

Apparently the two offers worked out as follows: Under the offer of The Canadian Bank of Commerce the shareholders of the Gore Bank were to receive, for their original \$809,280 of stock, \$445,104 par value of Canadian Bank of Commerce stock, which at 105 had a current market value of \$467,359; while in the case of the proposition of the Bank of Montreal they were asked to accept Bank of Montreal stock which, valued at \$160 per share, would produce \$461,289, but in this case they were to obligate themselves to sell the Bank of Montreal stock at \$165 per share if required. This provision might conceivably have operated to prevent their deriving full benefit from any subsequent appreciation in the market price of the Bank of Montreal shares.

With reference to the close contest for the assets of the

Gore Bank, it may be said that it had a remarkable resemblance to the contest occurring in the previous year at the sale of the Commercial Bank's estate. The two competitors in that instance were the Bank of Montreal and the Merchants Bank. At the annual meeting of the Merchants Bank in 1877, the president, Sir Hugh Allan, in reply to a query by one of the shareholders, stated that the offer of the Merchants Bank exceeded that of the Bank of Montreal by just one cent.

On October 26, 1869, the shareholders of The Canadian Bank of Commerce ratified the provisional agreement with the Gore Bank, and in May, 1870, the Act of Parliament confirming the amalgamation received the Royal assent. The Canadian Bank of Commerce assimilated the assets of the Gore Bank very rapidly. At the annual meeting on July 12, 1870, the president, the Hon. William McMaster, reported as follows in regard to the transaction: "The greater part of the assets of the Gore Bank is already realized. That portion of them which consisted of real estate is nearly all disposed of and rendered productive, except the banking premises in Hamilton, which are required for the use of the institution in conducting our business there. The conditions of the agreement were faithfully observed by the contracting parties, and the results have borne out the careful calculations made by your directors."

The assets of the Gore Bank, as shown in the statement presented at the annual meeting on August 2, 1869, were as follows:

Cash on hand and in banks.....	\$167,997 16
Government securities.....	76,114 66
Hamilton debentures.....	63,050 00
Bills discounted and other debts.....	370,285 61
Mortgages and real estate.....	37,049 87
Bank premises and furniture.....	13,200 00
Accrued interest on debentures and mortgages...	2,465 00
	<u>\$730,162 30</u>

The liabilities to the public, including deposits of \$105,676 and a note circulation of \$107,729, amounted to \$213,502; the surplus thus worked out at \$516,660, or, after deducting the contingent funds of \$13,014, at \$503,646. The officials of The Canadian Bank of Commerce estimated on the basis of their original offer, that after making certain adjustments in connection with several of the assets, the surplus would be \$563,265, or \$118,161 in excess of \$445,104, the par value of the stock issued in payment by The Canadian Bank of Commerce. They also figured that there would be a gain of \$11,869 due to non-payment of interest or dividends during the four months, September to December, 1869, inclusive, but the bank was subsequently obliged, owing to Mr. King's competition, to offer interest at seven per cent. per annum. from June 30, 1869. In explanation of the small amount of deposits, circulation and discounts shown by the Gore Bank at this date, it should be remembered that The Canadian Bank of Commerce had taken over, prior to August, 1869, a considerable part of the Gore Bank's business.

Of the five banks amalgamated with The Canadian Bank of Commerce, the Gore Bank is the only one that did not have an altogether successful career, and yet when the adverse circumstances through which it passed are considered, the end to which it came reflects more credit than blame upon its directors and officers. The early banks of Montreal and Halifax had, at least, the business arising from ocean ports, through which the imports and exports of a large, if sparsely settled, country passed, and these cities had been in existence for generations before corporate banking began, so that some wealth had been accumulated there other than mere improvements to the land. When, however, the three earliest banks began business in Upper Canada, conditions were very different. The province was struggling with the conditions of a pioneer settlement, and without either capital or the implements of trade and agriculture, the chances of success in banking were few. The Gore Bank as a mere infant had to

encounter the rebellion and the continental panic of 1837, to bear up under the singular misfortune of the failure of its London agents in 1847, to struggle through the trying years which preceded and followed the panic of 1857, to transact a safe banking business with the United States during the years of the Civil War, and lastly, to survive in 1866 the failures of two successive Montreal correspondents, both of whom had been early friends, the Bank of Upper Canada and the Commercial Bank. After all, it justified the comparison which used to be made in every market place in Upper Canada: "As good as the Gore Bank."

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CHAPTER V.

THE BANK OF BRITISH COLUMBIA

The Bank of British Columbia, the second bank taken over by The Canadian Bank of Commerce, was founded in 1862, and was amalgamated with the larger bank in 1901. The history of this bank throughout these forty years reflects the development of the Pacific Coast, sharing alike in the vivid life and colour of the days of gold rushes and land booms, and in the drab and sober dullness of the mornings after. It affords one of the two instances in Canadian annals of the endeavour to control a bank from a headquarters situated thousands of miles overseas before the days of railway and telegraphic communication. The Bank of British Columbia was the leading example on this continent of an international bank, the business of the branches in the United States often exceeding its Canadian business in magnitude and profit. The purchase of this bank marks a specially important epoch in the history of The Canadian Bank of Commerce, since the expansion into a new field, coming shortly after the Yukon enterprise, definitely marked the ending of the provincial stage in its development.

The founding of the Bank of British Columbia was due to the working of three factors: the gold discoveries on the Fraser river and especially in the Cariboo country; the abundance of capital seeking investment in London; and the success of recent ventures in banking, both in England and abroad.

When the Oregon Treaty had assigned to the United States all the Pacific Coast south of latitude forty-nine, most men in England concluded that nothing was left to Britain but another Labrador or Tierra del Fuego, "a territory," as it was described by a Chancellor of the Exchequer, "bounded by frost and banked by fog; woe betide any unfortunate individual who might be so far diverted from the path of Providence as to settle in these parts." The Hudson's Bay Company,

who enjoyed a trading monopoly on the mainland and were lords and proprietors of Vancouver's Island, did nothing to discourage a belief so well adapted to ensure a continuance of their privileges. It needed the lure of gold to attract attention to the far-off colony—the lure that so often had led men to discover the more enduring riches of lands that otherwise would have lain untouched for many a year. Three times in a dozen years—California in 1847, Australia in 1851, British Columbia in 1858—the lands bordering the Pacific had startled the world by discoveries of gold which vastly increased the world's yearly output. The stampede to the placer diggings of the Fraser in 1858 has rarely been paralleled. From San Francisco, tens of thousands of the men who had drawn blanks, or the lesser prizes, in California's lottery, streamed north. They wakened the sleepy little village of Victoria to feverish activity, hastened across the straits to the Fraser in all manner of craft, from the Hudson's Bay Company's steamers to crudely fashioned skiffs, and scrambled for claims on the bars and benches of the golden river. The water was too high to permit much working, travel was difficult and living dear; in a few months all but three or four thousand had shaken the dust of the colony off their feet. Of those who stayed, a few found riches in the lower Fraser; others, convinced by the fineness of the gold that it came from richer deposits up stream, struggled through river rapids and forested hills, hastily prospecting every stream that flowed into the Thompson or the Fraser, and finding gold in almost all, until in 1861 the advance guard reached Williams and Lightning Creeks in the Cariboo¹ country, and sent back

¹In some of his earlier despatches Governor Douglas spells this word "Cariboeuf." Writing to the Duke of Newcastle, Secretary of State for the Colonies, on September 16, 1861, he says: "The Gold Commissioners in their last monthly reports represent the continued exodus of the mining population from their respective districts towards the "Cariboo" country; in speaking of which I have adopted the popular and more convenient orthography of the word, though properly it should be written "Cariboeuf," or Rein Deer, the country having been so named from its being a favourite haunt of that species of the deer kind."

word that the richest placer deposits in mining history had been discovered.

The chief agent in spreading the fame of this new and greater discovery to the outer world was Donald Fraser, a correspondent of the London *Times*, then resident in Victoria. His glowing letters, which were later reprinted in pamphlet form and had a wide circulation in Canada as well as in the United Kingdom, cited instance after instance of fortunes dug from a few square yards. "In the letters of our correspondent," *The Times* declared in an enthusiastic editorial, "this dull and heavy region stands out as a land of promise, an El Dorado, a Canaan, the glowing west, over which the golden sun ever travelling westward, sinks at last into the sea. . . . According to our correspondent, the gold digging of British Columbia is a lottery in which there are no blanks; and the prizes are indeed splendid. The law is strong, and public opinion is sound under British rule. British Columbia thus, we are told, offers a good investment both for labour and for capital."

The news of the gold discoveries came at the right conjuncture. In London, at this time, 1862, capital was going begging for investment. "In Lombard Street, money is a drug," was the summary of a financial journal in the spring of that year. The Bank of England rate ran from two to two and a-half per cent. and three per cent. consols stood at 94. At the same time there was a marked tendency to seek in the establishment of new banks a profitable outlet for surplus funds. The large profits reaped by the existing joint stock banks had attracted attention. The shares of the London and Westminster, with £20 paid, stood at £77. The shares of the six London joint stock banks, on which £3,400,000 had been paid up, had a market value of over £10,000,000. Colonial banks, as the prospectus of the Bank of British Columbia noted, had fared particularly well; the shares of the Agra and United Service Bank then commanded a premium of 80 per cent., those of the Oriental Bank Corporation 120 per

cent., of the Bank of Australasia 75 per cent., and of the recently founded London and South African Bank ten per cent. In the same week that this prospectus was issued, the shares of two other new banks, the Alliance Bank of Liverpool and the Imperial Bank of London, were put on the market. So great was the rush of capital into this field that the *Economist* felt it necessary to sound a note of warning, in weighty editorials, as to "the number of new banks which, with the aid of cheap money and the Limited Liability Act, are starting daily into existence."

There was also a call from the colony of British Columbia itself for the services of a bank. Writing to the Secretary of State for the Colonies about this time, the Governor, James Douglas, said: "Much anxiety has been expressed by the miners generally upon the subject of banks of deposit, which are greatly needed in every district of British Columbia, the miner's only alternative at present being to bury his gold dust for security, which is known to be the general practice in Fraser's river; but were banks of deposit established, they would willingly pay a monthly percentage on any sums they might deposit. I have long been convinced of the value and importance of such institutions, but without the assistance of men of tried integrity and business habits, no such scheme could be carried out with advantage to individuals or to the public."¹

¹In 1863 an unsuccessful attempt was made to establish a bank in the colony as a limited liability company. The name chosen was "Colonial Bank of British Columbia." The capital was set at \$250,000 in 2,500 shares of \$100 each, with power to increase, and the head office was to be situated at New Westminster. An advertisement of this bank appearing in the Victoria directory of 1863 discourses as follows upon the opening for its business to be found in the colony: "The want of banking accommodation by the merchants, miners and general public of British Columbia has long been severely felt, and it is thought that the time has now arrived when the business of the colony calls for a permanent bank of its own. . . . It would be almost useless to lay before the public of British Columbia the many advantages afforded by having in the colony a bank of its own, where the head office and subsequent branches would be in the colony, where the share-list would be composed of its own colonists, and where the profits arising therefrom, instead of being remitted to foreign shareholders, would be handed over to residents, and be again placed in circulation in the colony."

This combination of circumstances led a group of London bankers and merchants, some of whom had interests on Vancouver Island, to organize the Bank of British Columbia. The leader in the movement was Thomas William Lockwood Mackean, late of the firm of Turner and Company of China, and a director of the London and South African Bank, who was interested in the firm of Stewart Meldrum and Company, Victoria. "Mr. Mackean," writes an officer of the bank, who went out to Victoria in 1864 and who is still living, "was one of the old school and a kinder-hearted man I never wish to meet." Robert Gillespie, Jun., a future chairman, was a member of the firm of Gillespie, Moffat and Company, London and Montreal, which had a large Canadian business, and which had long been interested in railway and land enterprises in Canada East. In 1863 Messrs. Gillespie, Moffat and Company were appointed the first Canadian agents and correspondents of the Bank of British Columbia. Other members of the first Court of Directors were Eden Colvile, a director of the Hudson's Bay Company,¹ Alexander MacKenzie, a director of the Oriental Bank, Henry McChlery, a member of the private banking firm of Cavan, Lubbock and Company, and later a director of the National Provincial Bank, and Martin Ridley Smith, a partner in Smith, Payne and Smiths, another private banking firm which had a distinguished and prosperous history. Duncan James Kay, Lewis Fraser, James Bonar and James Anderson were partners of substantial and long-established London houses.

On the British Government agreeing to grant a Royal charter of incorporation, the prospectus was issued in the first week of April, 1862. The capital was set at £250,000, in 12,500 shares of £20 each, with power to increase. The deposit on application was to be £1 a share, with a further

¹From 1871 to 1880 Mr. Colvile was Deputy-Governor of the Hudson's Bay Company, and Governor from 1880 to 1889.

payment of £4 on allotment.¹ The liability of the shareholders was limited to double the amount of their holdings. The prospectus stated that the bank was being formed for the purpose of affording facilities much required by the colonies of British Columbia and Vancouver's Island. A new and very productive gold field had been opened in Cariboo, of vast extent; the gold was near the surface and "worth £3 17s. per ounce." The estimated yield for 1861 was £1,360,000, from five thousand miners. "By the latest accounts from British Columbia," the prospectus continued, "great complaints were made by the miners that they could not sell their gold." Silver, copper, coal, fish and timber were among the other resources of the colonies. "The salubrity of the climate and its suitability to the European constitution;

¹The balance of £15 on these shares was called up in three instalments of £5 each in August, 1862, August, 1864, and July, 1865.

In October, 1865, a second issue of 12,500 shares was made at a premium of £2 per share, the premium being carried to the reserve fund. Of this issue only 9,600 shares were taken up at this time. Payments on these shares were made as follows:

£2 per share in October, 1865.

5 per share in January, 1866.

5 per share in October, 1875.

In December, 1885, the balance of 2,900 shares of this issue was sold at the same price—£7 per share, payable on December 24, and £5 per share additional on March 31 following. The capital of the bank then consisted of 12,500 shares fully paid and 12,500 shares fifty per cent. paid. In 1888 the balance of fifty per cent. was called on the 12,500 shares not fully paid, payable in two instalments of £5 each on March 15 and April 16 of that year.

In 1890 the third and last issue of capital was made, consisting of 5,000 shares at a premium of £14, which was, as before, carried to reserve fund. These shares were paid up as follows:

£14 per share on March 24, 1890.

10 per share on April 24, 1890.

10 per share on June 26, 1890.

This issue increased the paid-up capital from £500,000 to £600,000, the former sum being the total amount which the directors had authority to issue under the provisions of the charter. The increase was therefore sanctioned and confirmed at extraordinary general meetings of the shareholders which were held on February 19 and March 7, 1890.

The provisions of the charter in connection with the capital of the bank were rather curious. In the first place, as stated in the text, the capital was to consist of £250,000 sterling, of which amount the whole had to be subscribed and the half paid



THOMAS WILLIAM LOCKWOOD MACKEAN

Chairman, Court of Directors, Bank of British Columbia, 1862 until his death in 1876.

PLATE NO. 31.

the fitness of the soil for agricultural purposes; the immense mineral wealth of both colonies, and the existence of English laws, are strong inducements to rapid and extensive emigration, and are also powerful reasons for at once establishing a bank with large capital, especially as the only existing banking accommodation is so inadequate to meet the exigencies of the colonies." A statement of the scope of the business of the bank—issuing notes, discounting bills, receiving deposits, dealing in exchange—and a reference already cited, to the profits of other London and Colonial banks, concluded the prospectus.

These statements did not pass unchallenged. Mr. H. Bauerman, of 22 Acre Lane, exercised the privilege dear to the heart of every Englishman, of writing to *The Times*. He

up before the bank could commence business. The second half had to be paid up within two years from the date of the certificate authorizing the bank to commence business. The directors had also power, if they deemed it necessary at any time, to increase the capital by an additional £250,000 to £500,000. Any increase beyond the latter sum could only be made with the consent of a general meeting of shareholders especially called for the purpose, and any increase over the sum of £1,000,000 had further to be sanctioned by the Commissioners of the Imperial Treasury. The Deed of Settlement, however, further limited the total capital of the bank to £2,000,000 sterling in all.

One of the provisions of the supplementary charter obtained in 1864 released the bank from the necessity of increasing its capital to £250,000 within two years from commencing business. When the charter was renewed in 1884, those clauses conferring on the Commissioners of the Treasury any powers or duties in connection with the administration of the affairs of the bank were abolished, and it was ordered that any increase of capital, which would have required the approval of the Treasury under the original charter, could be authorized by a resolution passed at a special general meeting of shareholders, provided the resolution were confirmed at a subsequent special general meeting of shareholders held not less than one month after the meeting at which the resolution was passed.

The paid-up capital of the bank therefore stood during its history as follows, not counting the intervening periods of part-payments of shares:

August, 1862, to August, 1864.	£125,000
July, 1865, to December, 1865.	250,000
January, 1866, to October, 1875.	298,000
October, 1875, to November, 1885.	346,000
March, 1886, to March, 1888.	375,000
April, 1888, to March, 1890.	500,000
June, 1890, to amalgamation.	600,000

pointed out that there were five firms in Victoria engaged in the purchase of gold dust and bars—Messrs. Wells, Fargo and Company, bankers and general express agents; Messrs. Macdonald and Company, bankers; Messrs. Marchand and Company, and Messrs. Robertson and Company, assayers, and a branch of the Bank of British North America—"all subsisting on £1,500,000 worth of gold." The branch of the Bank of British North America had been established in 1859 as an experiment, and the staff had recently been reduced, which would indicate that business had decreased. Large profits from the circulation of bank-notes were unlikely, as up to the present the experiment had never been tried on the Pacific coast. There would be the less need for such an experiment since the Government of British Columbia was about to issue \$10 and \$20 gold pieces.¹ To all of this, one of the directors of the new bank at once replied, quoting a recent despatch in which Governor Douglas complained of the lack of a circulating medium.²

No newspaper paragraphs could offset the public interest in new banks and new treasure fields, and the influence of the men who stood sponsor for the new enterprise. The 12,500 shares of the Bank of British Columbia were heavily over-subscribed, the total number applied for being 103,000,³ and they rose at once to a premium of two and a half per cent. The shares of the Imperial Bank of London, issued the same week, were five times over-subscribed, and reached a premium of one per cent. It was a harvest time for bank promoters.

¹See p. 271 *et seq.* and Appendix VIII, also plates 36 and 37, facing pp. 284 and 288, respectively.

²See p. 269 *et seq.*

³It is interesting here to note a connection between the Halifax Banking Company and the Merchants Bank of Prince Edward Island (the Atlantic coast components of The Canadian Bank of Commerce) and the Bank of British Columbia (its Pacific coast component). Sir Samuel Cunard, one of the original partners in the Halifax Banking Company in 1825, was one of the original subscribers of the Bank of British Columbia in 1862, taking 150 shares. Two of his grandsons, the Hon. Frederick Peters and the Hon. Arthur Peters, became directors of the Merchants Bank of Prince Edward Island.

In the prospectus and the preliminary advertising, and in the watermark of the paper used for the earliest bank-notes, the new bank was termed "The Chartered Bank of British Columbia and Vancouver's Island." The colony of Vancouver's Island, granted a half measure of emancipation from Hudson's Bay Company control in 1849 and a full measure ten years later, and the colony of British Columbia, established on the mainland in 1858, were quite distinct,¹ though both were ruled by the same masterful Governor, James Douglas, the former chief representative of the Hudson's Bay Company on the Pacific. Hence it was felt necessary to include both names in the bank's title. On further reflection, the cumbrousness of this name, and possibly a hint from the Colonial Office of the probable union of the two colonies, which actually took place four years later, led to the decision to adopt the name, "The Bank of British Columbia." At all events the shorter title was the one conferred upon the bank by its Royal charter granted in May, 1862,² and on July 23, 1862, the Court of Directors resolved to change the name to "The Bank of British Columbia" to accord with the charter. Although the bank had been organized early in April, 1862, it did not commence business in London until the following October.

The Court of Directors at once elected Mr. Mackean as chairman, and Mr. Robert Gillespie, Jun., as deputy chairman. James Napier was appointed secretary and London manager. A few months later, when ill-health compelled Mr. Napier's resignation, Henry Edward Ransom, for twelve years agent of the Bank of British North America at New York, was appointed manager at the modest salary of £500 a year. James D. Walker, who had had some experience in the Dundee Banking Company, and later in Australia on the staff of the Oriental Bank Corporation, was made Victoria manager, and the rest of the staff, George Cruickshank,

¹The two colonies were united in 1866.

²See plate 33, facing p. 268.

accountant, Henry Rushton and Edwin Russell, clerks, were also appointed in London.

One fact stands out with special distinctness in the records of these early arrangements—the permanence of English business connections. The first solicitors were Messrs. Freshfields and Newman; and Messrs. Freshfields are still (1919) the solicitors of The Canadian Bank of Commerce in London. The brokers who acted for the bank in making the first issue of stock, Messrs. Mullens, Marshall and Daniell, act as brokers for the bank to-day. Mr. Duff, of Messrs. Duff, Watts and Company, was appointed notary at one of the first meetings of the directors; the firm still acts in that capacity. Among the early accounts paid in 1862 were one to Streets for advertising, and one to William Cubitt and Company for repairs to the bank's premises; half a century later, Streets still place the advertising of The Canadian Bank of Commerce in England, and William Cubitt and Company have quite recently done work at the London office of that bank. Messrs. Smith, Payne and Smiths, chosen as the bankers of the Bank of British Columbia, continued to hold that relationship after the amalgamation with The Canadian Bank of Commerce, and the clearing account remains with their successors, the Union of London and Smiths Bank Limited—now the National Provincial and Union Bank of England Limited.

It has been seen that there was already established at Victoria a branch of a London and colonial bank. The Bank of British North America, founded in 1836 and granted a Royal charter in 1840, with the distinguishing privilege of single liability, had built up a substantial and prosperous business in both the Canadas, and in Nova Scotia, New Brunswick and Newfoundland. It had opened a branch in Victoria shortly after the first gold rush. The ebbing of the first tide of the gold rush, and too strict and detailed control by the head office had prevented this branch from achieving much success. The directors of the Bank of British Columbia opened negotiations



SIR ROBERT GILLESPIE

Deputy Chairman, Court of Directors, Bank of British Columbia, 1862-1876. Chairman, 1876-1901.



EDEN COLVILLE

Director, 1862-1876 and Deputy Chairman of the Court, 1876 until his death in 1893.



JAMES ANDERSON

Director, 1862-1897.



HENRY EDWARD RANSOM

Manager 1862, General Manager 1867-1875
Director, 1876 until his death in 1890.

immediately to induce the older bank to withdraw from the field, but it was not found possible to come to terms. The Bank of British Columbia was prepared to pay the cost price of the buildings at Victoria and the balance at debit of the branch, £10,500, but demurred to any payment for goodwill. "They do not see," wrote Messrs. Colville and Gillespie to Messrs. Brooking and Carter of the Bank of British North America, "why they should be called upon to pay for the 'good-will' of a business which on the face of it has been unprofitable." Messrs. Brooking and Carter replied that the views of the two boards were so far apart that no basis for further negotiation existed, and closed the incident with the hope "that the necessary competition between the two establishments will not lead to hostility in action or feeling"—a hope which time amply fulfilled.

All was now ready for the sailing of the staff. A voyage from England to British Columbia in the early sixties was no light undertaking. There were three available routes. Those travellers to whom time was of less value than money took passage in sailing vessels direct from London to Victoria, round the Horn. The voyage took from four to five months, and the cabin fare was fifty to sixty pounds. The shortest route was by steamer from Southampton to St. Thomas in the West Indies, by a smaller steamer to Colon, across the Isthmus by the Panama Railway, from Panama to San Francisco by steamer, and from San Francisco to Victoria in a smaller craft. On this route the cabin passengers paid a fare of ninety to one hundred pounds, and spent about fifty days on the way. The third route was a variant of the second—by steamer to New York and thence to Colon. A few hardy travellers took the overland route through the United States from New York to the end of the steel somewhere in Missouri or Kansas, and thence about two thousand miles by stage to California. Still more reckless were the Overlanders who were led by lying agents to seek the Cariboo by way of St. Paul and the Hudson's Bay Company's territory; in the

summer and autumn of 1862, men and even women and children, chiefly from Ontario, with a few from England, reached St. Paul by rail, and fared north to Fort Garry by stage and steamer, thence by ox-cart across the plains to Edmonton, by packhorse through the Rockies, and on rafts down the Thompson or Fraser, until in four or five months the haggard survivors reached Kamloops or Quesnelle.

Mr. J. D. Walker and his Victoria staff chose the route by New York and Panama, leaving London in May, 1862, and arriving in San Francisco in July. It is recorded in the minutes that the Court took leave of them on May 22, but no details of their voyage have been preserved. However, Mr. C. S. Jones, who sailed two years later to join the Victoria branch and who is the only survivor of the Cariboo staff of his day, is now in 1918, after long and successful service, living in retirement in London, and has given us an account of his journey. "It was fifty-four years ago," Mr. Jones writes, "when I heard the Bank of British Columbia were wishful to obtain the services of youths who had experience of the Scottish system of banking. I was then in the Head Office at Edinburgh of the British Linen Bank, where I had been for three years, having just turned one and twenty. On signing an agreement to go out to British Columbia for five years, I left Edinburgh to spend my last month at home—the Vicarage of B—, just south of the Tweed. . . . I left Southampton on March 2, [1864] in R.M.S. Seine. . . . We got to St. Thomas in fourteen days, where we changed into a much smaller steamer infested with cockroaches, so after the first night I slept on deck, as the weather was very warm and the sea calm. We passed Porto Rico and San Domingo and then reached Kingston, Jamaica; where we coaled. . . . A few days more brought us to Aspinwall (or Colon), and we crossed the Isthmus of Panama by rail, forty-four miles, and the fare was £5. . . . We left Panama in the "Golden City" and had 1,360 passengers and 100 U.S. Artillery on board as a guard—as the Civil War in America was then going on and it was

thought possible that many of our passengers might be Southerners who would attempt to take possession of the steamer. I had an Enfield rifle and cartridges with me, having been a volunteer in Edinburgh for three years; I had to give these up, though they were returned to me at the end of our voyage. On April 1 we were all day at Acapulco. The next stop was at Mazatlan, where the tricolor was flying on the fort, as the French, who were in possession of Mexico, had just taken it. On April 9 we got into San Francisco, where we remained three days; and as the climate and weather were perfect we enjoyed the sightseeing. From here we had a five-day voyage to Victoria, only eight hundred miles away. The steamer was small and crowded, so that I was not sorry to reach my new home after a journey of forty-five days."

Mr. J. D. Walker reached Victoria during the last week of July, 1862, and the Victoria branch was opened shortly afterwards. Victoria in 1862 was a town of three or four thousand people, straggling around the harbour. Every newcomer from England noted with surprise that nearly all the buildings were of wood, though brick and stone were beginning to appear. Mr. Henry J. Gardiner, a resident of Victoria from November, 1864, to June, 1865, later a director of the Bank of British Columbia and now a member of the London Committee of The Canadian Bank of Commerce, records the important part fire brigades consequently played in the economy, and incidentally in the social life, of Victoria as of other Coast towns. "There were two volunteer fire brigades organized to deal with fires," he writes, "one called 'The Tiger Company,' and the other, 'The Union Hook and Ladder Company.' When a great bell rang as a notice that there was a fire, all the members of these brigades hastened to the scene of the fire. The buildings were constructed with planks or battens nailed horizontally to uprights, and on the occasion of a fire in one of the wooden buildings occupied by a Chinaman's washing shop I saw the house demolished in the course of a few minutes. Members of the brigade ascended ladders and placed

hooks on the top timbers; these hooks were fastened by ropes and attached to handles, and by the united efforts of the brigade, plank after plank was pulled down until the fire was stayed." The four churches ("There are four churches in Victoria, never full, and a prison with cells fully tenanted," wrote a pessimistic traveller of a somewhat earlier day) were of wood, or of wood and plaster or corrugated iron; the Jewish synagogue was a substantial brick structure. The Hudson's Bay Company's headquarters was the largest building in the city, and the stone building in which the Bank of British North America was housed, one of the most substantial.

Temporary quarters were taken for the bank, pending the purchase of the brick residence of Mr. Thomas Harris, the first mayor of the city, and "a most genial and loyal citizen, well known for his Falstaffian proportions," according to Mr. Frederick Townsend, for many years inspector of the bank. From the start the bank proved of much service to the community. One of its first transactions was to make advances to the contractors who were building the Cariboo road. The governments of Vancouver's Island and of the mainland also had constant recourse to its services, and it acted as agent for the British Columbia Government in placing its debentures on the London market. The bank soon acquired a good connection among the merchants and obtained the leading accounts, though the deposits were small, reaching only \$97,000 by the end of 1867. A considerable business was done in exchange. The bank's competitors, in addition to the Bank of British North America, were a private bank, Macdonald and Company,¹ which had an agency at the mines and issued notes, and Wells, Fargo and Company, who did a large gold buying and forwarding business, but little banking.

As in San Francisco,² "steamer day" was an established institution in Victoria. "I arrived at Victoria on a Saturday

¹Macdonald and Company failed disastrously in 1864, owing to the defalcation of an agent.

²See p. 305.

evening," Mr. C. S. Jones records. "After dinner I strolled along Government Street and soon came to a building with 'Bank of British Columbia' on its glass doors. To my surprise I saw lights inside, though it was then 9.30 p.m. I opened the door and finding that all the staff were at work, concluded that if these were bank hours in Victoria I had better have remained in Edinburgh. I was relieved on being told that late work went on only when the monthly steamer from San Francisco arrived with the mails. As these steamers were the only means of communicating with the outside world, their arrival was a great event, and as the steamer only remained in Victoria for a few hours and then left for the American side, there was not much time to answer letters from Canada or England or the States. On one occasion the bank staff were obliged to hurry out of church when they heard the gun announcing the arrival of the steamer.¹"

Rates of interest and exchange ruled high for the first three or four years after the bank opened. At Victoria, as well as at the agencies up country, the discount on bills running thirty days was 18 per cent. per annum; on sixty day bills, 24 per cent., and sixty to ninety days, 36 per cent. Overdrafts, according to circumstances and location, ran from 18 to 36 per cent. These rates were soon reduced, first to 18 per cent. as a maximum, and later to 12 per cent. on all ordinary business, at which level the rate stood for years, until competition and lower operating costs brought it still lower. These rates were modest, however, compared with the ten per cent. per month which was paid by reputable merchants in the early days of San Francisco, when real estate was doubling in value over night. Exchange from 1862 to about 1866 ruled, for sterling demand drafts at \$5.15 to \$5.20; for thirty day drafts at \$5.10, and for sixty day drafts at

¹As an instance of this, Mr. Walker, writing to his Head Office on January 3, 1864, says, "The mail steamer has just arrived [Sunday 8 p.m.], being a week before its time, and leaves again at 2 o'clock in the morning—it is therefore quite impossible to forward any returns by this boat."

\$5. Drafts on San Francisco usually sold at one and a half per cent. premium and on New York and Canada at two per cent. After about 1866 sterling rates fell to \$4.90 for sixty days and \$5 for demand, and those for domestic exchange fell in like proportion; still later, all operations were governed by quotations from San Francisco and New York.

Some light is occasionally thrown on the banking practices of these early days by the letters which have come down to us. On January 2, 1863, the London manager writes: "The directors are not disposed to allow interest on current accounts. They do not think that it will have the effect of driving away the American bankers. In the northern States of America it is the private bankers, and not the joint stock banks, which allow interest on current accounts. It is probable, therefore, that American bankers would soon follow your example if you were to allow interest."

Dealing with the subject of purchasing bills of exchange, he writes on April 4, 1863: "As exports from Victoria to England, via Cape Horn, take from four to five months to reach their destination, you may buy bills drawn against such shipments at four months after sight at a proportionate reduction below the price you are paying for sixty days sight bills. All such bills are to be accompanied by bill of lading and invoice, and that the goods may be insured in time to protect the interests of the bank you must in all cases send us authority from the shipper to insure, by a mail leaving Victoria some days before the sailing of the ship. The directors trust that the purchase of these bills will give profitable employment to the funds of the bank, and at the same time enlarge the legitimate export trade of the colony." Again on June 5, of the same year, he says: "I have to state that it is customary here in buying bills on America to charge interest from the date of purchase until maturity of the bills received back from America in payment. Thus the Bank of British North America in London charge five months' interest in purchasing bills on Canada at sixty days after sight, payable at the

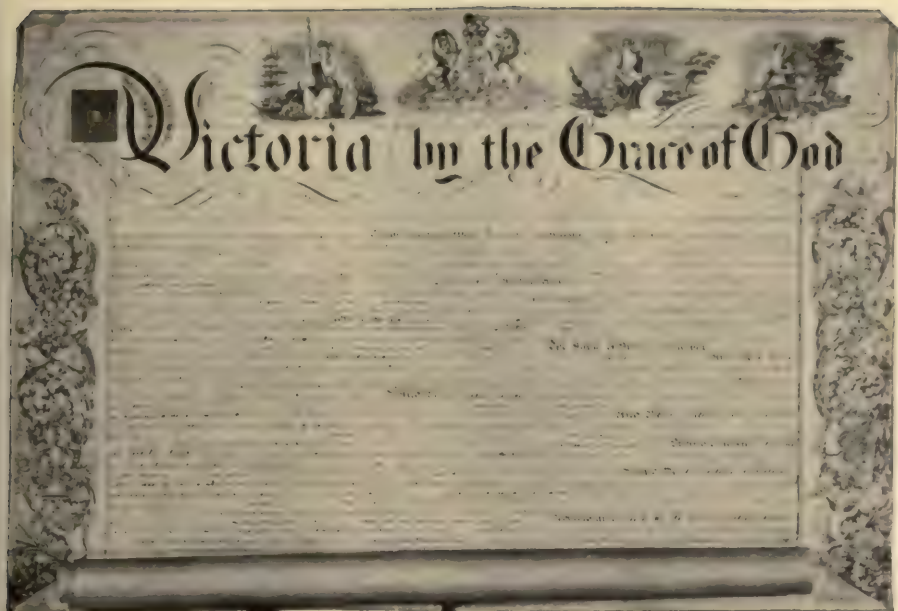
current rate of exchange. It is necessary to adopt this course because they could not get back their money by drawing on Canada, there being no demand for such drafts. For the same reason, when buying bills on Victoria we charge eight months' interest, and when the transaction originates here, a commission besides."

From the beginning, Victoria was a secondary head office for the branches in Vancouver's Island and British Columbia. The branches in British Columbia, or agencies as they were usually termed, were considered as in some measure subsidiary to it, and under the control of its manager.

The first branch established outside of Victoria was opened in New Westminster about the beginning of October, 1862. New Westminster, or Queensborough as it was first called, had been chosen in 1859 as the seat of government and port of entry of the new mainland colony of British Columbia. As yet it was only a little clearing in the wilderness of thick forest along the banks of the Fraser. The greater part of the five hundred inhabitants were connected with the government, or engaged in real estate or outfitting; little commerce had yet come to its doors. Already the feud between the two capitals, which long provided a staple political issue, had begun. One grievance of the mainlanders was that the chief officials of their own colony, from the Governor down, made their home in Victoria. Another was that Victoria remained a free port, while goods entering New Westminster were required to pay substantial duties, with the result that the older city remained the market for both colonies. Naturally the feeling did not become any less bitter when, with the union of the two colonies in 1866, Victoria was chosen as the new capital.

There was little business in New Westminster to occupy the staff of the bank. For the four years or more that the branch was maintained (October, 1862, to July, 1867) one man and one boy were able to look after the government transactions, which provided its main work. At other branches,

however, the Court insisted that the staff of the establishment should comprise at least three officers to guard against inconvenience arising from illness, or other causes compelling absence. One of the difficulties of the early stage of development was to obtain sufficient business at any place to pay the salaries of three men and to provide them with employment, and sometimes the bank's messenger was allowed to count as one of the three. New Westminster was considered an exception to the rule, because of its proximity to Victoria. One duty devolving on the staff at New Westminster was the entering of goods and payment of duty at the custom-house, on behalf of Victoria clients. The only time when there was any liveliness in the business of this branch was when gold dust came down the river from Cariboo, to be melted and assayed at the government assay office in New Westminster. Mr. Jones, who was placed in charge of this agency in 1864, writes of this period, as follows: "I frequently had over \$100,000 in bright gold bars on a table just behind the counter, during the process of packing in strong wooden boxes, to be forwarded to Victoria and thence to San Francisco, where the gold was sold or minted. Frequently a number of Indians would come into the bank, attired only in a red blanket, to have a peep at these bars. When I asked what they wanted, the reply was "Oh cultus nanich" (only a free look). They used to refer to me as the "Hyas-Chickamen-Tyee"—"the great money chief"—as they knew nothing of banking corporations and imagined all the gold bars and coins they saw were mine." For the rest, life at New Westminster was very pleasant. "The climate was all that one could wish," Mr. Jones continues, "and as it was the seat of government there were numerous officials who became my close friends. I sometimes walked over by the trail, a distance of eight miles, through immense pine trees, to Burrard Inlet, on which the city of Vancouver is now built. The land could then have been bought for about \$2.50 an acre, as no one imagined it would be the terminus of the Canadian Pacific twenty years later."



ROYAL CHARTER OF THE BANK OF BRITISH COLUMBIA
With the Great Seal of Great Britain.

The public assay office at New Westminster, to which reference has been made, was the centre of an interesting experiment in currency just at the time the bank was beginning its work. In the original prospectus, it may be noted, the currency situation in the two colonies was cited as one of the reasons which made the establishment of the bank imperative, and gave promise of its operations being profitable.

With all the flood of gold that was pouring down the Fraser, some recognized medium of exchange was one of the chief wants of the new communities. Miners and traders, bankers and assayers, had brought in gold and silver coin, but still complaints came of a serious shortage in the circulating medium. The lack of copper coins of course caused no inconvenience in a land where, as the Colonial Treasurer had reported to London in 1859, "the habits of the people and their prosperity induce a positive disregard of fractions under a five-cent piece." The supply of silver of a kind was sufficient. The refuse of the money-changers had drifted into Victoria; it was a motley collection, from the United States and Central and South America, of variations of the Spanish dollar and of United States fractional currency, the so-called shinplasters. The coins that would not pass in Victoria found their way up country. In Cariboo in 1864, Mr. Jones notes that English half crowns (2s. 6d.) and florins (2s.) alike passed for half dollars. It was a gold coinage that was lacking. There was no question as to the quality of the English sovereigns and of the United States ten and twenty dollar pieces that were in circulation, the complaint was rather as to the quantity. Governor Douglas declared late in 1861 that importers were being forced to pay two per cent. a month and upwards, for coin with which to pay customs dues, as gold dust was not accepted for duties. "At this moment," he continued, "there is an amount of gold dust, in the hands of miners from Cariboo residing at Victoria, exceeding one quarter of a million sterling, and so great is the present dearth of coin that it brings a premium of five per cent. and over,

when procurable, which is not generally the case, as men may be seen hawking bars of gold about the streets of Victoria who cannot raise coin enough, even at the high rates of discount just mentioned, to defray their current expenses. The miners and other holders of gold dust are naturally incensed, and refuse to submit to this depreciation on the value of their property, when they know it can be converted into coin for the moderate charge of one-half of one per cent. at the United States branch mint in San Francisco; making an important saving to them of four and a half per cent. They are consequently leaving Victoria by every opportunity, and it is most painful to witness a state of things which is rapidly driving population and capital from the country."¹ Two years before he had written: "The want of an assay office in the colony is felt as a public inconvenience, and is no doubt highly detrimental to the commercial interest of the country. There being at present no means here of ascertaining the true commercial value of gold dust, the merchant, to save himself from loss, will only purchase it at a low rate which the miner will not accept, or the gold dust is retained in the merchant's hands in deposit, until samples of it are sent and tested at San Francisco. Hundreds of miners, worn out with the expense and delay so occasioned, fly in disgust with their gold to San Francisco."² The wide variation in the purity and value of the gold from different deposits, and the loss that came from constant handling, were other reasons which made the use of gold dust a very unsatisfactory makeshift in ordinary transactions.

The miners' grievance, echoed by the Governor, was in reality not very serious. Gold coins, like other imports, had to bear the cost of carriage and insurance, and as the Governor himself admitted, this amounted to more than five per cent. It was the Victoria traders who raised the question. They saw with alarm nearly all the gold go past their doors to San Francisco, and with the Governor, imagined that if only in

¹This despatch is quoted in full in Appendix VIII. See p. 486 *et seq.*

²Douglas to the Colonial Secretary, April 8, 1859.

some way it could be kept in the colony, prosperity would be boundless. Like the Spanish masters of the New World's treasures centuries before, they sought to "hedge in the cuckoo."

The Governor was averse to the issue of paper money by the Government, and even had he been willing, the prejudice along the coast against paper issues would doubtless have barred it. To bring coins from England was another expedient, adopted in 1861, when £100,000 was imported. The only solution of the problem, it was felt, was to make use of the gold on the spot, both to furnish a medium of exchange and to prevent the drain to San Francisco. At first a public assay office had been thought sufficient, and with the assistance of the Royal Mint, an office had been opened at the beginning of August, 1860, at New Westminster—not, as the Governor and the islanders had urged, at Victoria. It proved unable to stay the tide; in 1862 the public office and two private assaying firms in Victoria together dealt with only a third of the gold output. It was necessary to go further. Governor Douglas therefore urged, in November, 1861, a plan for securing the advantages of a mint without incurring the full outlay. He suggested to the Colonial Office that gold, reduced to a uniform standard but not completely refined, should be manufactured into ten and twenty dollar pieces. The coins would contain gold to their full nominal value, while the silver left in the bullion would serve as a bonus. The Assay Office could do the work adequately and at little cost. The coins would not pass automatically as legal tender, though the Governor might from year to year so proclaim them.

The Colonial Office gave its blessing to the Governor's scheme. He bought his dies and apparatus in San Francisco. The staff of the Assay Office struck specimen pieces in silver, in May, 1862, which passed muster in London. Later, a few gold coins, consisting of ten and twenty dollar pieces, were also struck.¹ Then the project halted and no coins were ever issued

¹See Appendix VIII, p. 461, and plates 36 and 37, facing pp. 284 and 288, respectively.

to the public. The reasons given for this sudden abandonment of the Governor's plans are many. A minor difficulty was the demand of the Assay officials that if they were to do mint work they should be given mint salaries. New Westminster was convinced that the halt was due to dog-in-the-manger tactics on the part of Victoria officials, who were determined that the mint should be in the island capital, or nowhere. A glimmering of the certainty that coins which carried a bonus in the form of silver alloy over and above their gold content would soon find their way to the melting pot may have occurred to some one in authority. Probably more effective was the realization that the assay office was proving an unexpectedly heavy source of expense—in the first two years the outlay was £7,000, the income £900—and that a mint would prove a still more costly luxury. Time, again, was curing the ills so far as they were curable; traders and bankers, and the Government itself, were bringing in coin, and not least, the two banks were issuing notes which were more convenient and which have proved quite as safe as gold coins. Not until 1908 was gold again minted in any of the provinces which now form the Dominion of Canada.

The effort to retain the gold produced in the two colonies within their borders was a naive attempt to make everybody rich, and not till this was abandoned was the real solution of the problem of providing a circulating medium found in the extension of the bank-note circulation. The Bank of British North America had been issuing bank-notes since 1859. The Court of Directors of the Bank of British Columbia gave the matter much consideration in their early meetings. There was some difference of opinion as to whether the standard should be the dollar or the pound sterling, but it was soon realized that local custom and preference had determined this point beyond dispute. As to denominations, it was at first decided to issue five, twenty, fifty and one hundred dollar notes, and in October, 1862, \$100,000 in fives and twenties were sent from London to Victoria. A few months later it was



VICTORIA, B.C.
Government Street in 1867.



VANCOUVER, B.C.

First office of the Bank of British Columbia (in the building indicated by an arrow.)

decided to withdraw the hundreds, and \$100,000 in one dollar notes were engraved and printed, to be issued in their place. The quality and size of the first issue had not proved suitable, and the directors were anxious to obtain the advantage they expected from the circulation of one dollar notes in place of small coins which, they understood, were much in demand. Only 61,000 of these one dollar notes were ever put into circulation, and no further supplies of ones were printed. The reason for this is not altogether clear. It may have been due to the objections to notes of this denomination referred to elsewhere,¹ or to the passage of "The Bank Note Act, 1864," by the colonial legislature of Vancouver's Island. This Act, which was assented to by Governor Kennedy on July 7, 1864, prohibited the issue of bank-notes within the colony except by persons or associations authorized to do so by Royal Charter or by the legislature itself. It also forbade the issue of bank-notes of a lower denomination than five dollars by those concerns which retained the power of issue. It was apparently designed to put an end to the issue of circulating notes by private concerns, such as Macdonald and Company of Victoria, who failed in 1864.² By 1863 the average circulation of the Bank of British Columbia reached \$20,452; by 1864, \$85,389, and by 1865, \$182,549, a sum not again attained until 1874.

Under the original charter of the bank all notes had to be dated from the place where they were issued, and were redeemable in coin there and at the principal office of the bank in the colony. The London manager writes to Victoria on March 26, 1864, as follows: "The directors therefore wish me to call your attention to the provisions of our charter respecting the issue of notes, and to desire that you will be very careful to pay strict attention to them, as the consequences attending their infringement might be very serious.

"No branch can issue or re-issue the notes of another

¹See Appendix XII, p. 484.

²See p. 264.

branch, and therefore all notes issued at New Westminster must be dated at New Westminster, and the same with those issued at Quesnelle.

“Quesnelle will only be liable to redeem its own notes, and not those dated at another branch. There is a clause in our charter requiring the ‘principal establishment’ in British Columbia to redeem the notes of all the other branches in *that* colony, but we have not recognized a ‘principal establishment’ in British Columbia, and it is *very desirable not to do so*, and as long as New Westminster continues a sub-branch of Victoria, it cannot be considered a principal establishment.

“The Victoria branch, being in another colony, is *not* required by our charter to pay the notes issued by the branches in British Columbia, but each branch can buy the notes of another branch at a discount equal to the rate of exchange between the two places. This is the plan adopted by all the banks in Canada, and it prevents the notes being used as remittances to the injury of exchange operations between branch and branch.”

It was felt that the conditions in the colonies were such that the provisions of the charter in this respect imposed an undue burden on the bank. “In England, where by means of our railways and telegraphs we can move coin from branch to branch in a few hours, such a provision is much less objectionable than in a new colony like British Columbia, where it takes days to communicate between, say, New Westminster and Quesnelle, and where it would be impossible consequently for either branch, in case of an unexpected demand, to assist the other in time to be of service.” Accordingly when the supplemental charter was applied for, the directors succeeded in obtaining power to have the notes payable only at the place of issue and at such other places as might be expressed in the notes. It would seem, however, that the interpretation put upon these stipulations in the colonies differed from the view taken by the directors and that all notes actually circulated

were dated at Victoria, those circulated in British Columbia having also stamped across them "New Westminster."¹

The size, shape and quality of the notes were the subject of much experimenting. All but the one dollar bills in the early days were the size of a Bank of England note, but on much thicker paper. They were of the very finest quality of English bank-note engraving. The miners dubbed them "blankets." "I recollect once paying the foreman of a claim \$1,200, all in fives, in purchase of dust," writes Mr. Jones. "He went away grumbling that his coat pockets were full of notes, but as he said, he had to pay so many men he must have notes of small denomination. When these matters were brought to the attention of the London directors, they had an issue of much smaller size printed, but these were also found too large, so a third issue was prepared. These gave general satisfaction, as they were found to be of the same dimensions as the usual Canadian bank issue." The quality of this third issue was not very high, but little improvement took place until the last decade of the bank's existence, when a new issue was obtained from an American firm.

Scarcely had the bank opened for business when it was found that one or two of the provisions of the charter were such as it was desirable to have modified. In the first place it required that the whole of the subscribed capital of £250,000 should be paid up within two years from the date of the certificate authorizing the bank to commence business. This certificate had been obtained in September, 1862, and the bank opened at Victoria almost immediately thereafter, its organization in London having been under way since April of that year. There seemed little likelihood of profitable employment being found for such a large amount of capital as £250,000 in the existing undeveloped state of the colonies of British Columbia and Vancouver's Island. The second published balance sheet of the bank, but the first in which the operations of the London office and of the branches were

¹Victoria "Private" letter to London, May 19, 1864.

combined as of the same date, is dated June 30, 1864, and is as follows:

LIABILITIES

Capital paid up.....	£125,000	0	0
Reserve fund.....	2,000	0	0
Deposits, notes in circulation, bills payable and other liabilities.....	115,771	3	4
Balance of profit and loss.....	11,105	16	6
	<u>£253,876</u>	<u>19</u>	<u>10</u>

ASSETS

Specie and bullion in hand and cash at bankers. £	57,549	5	6
Bank premises, furniture and other property...	4,389	14	11
Bills discounted, bills receivable, government and other securities.....	191,937	19	5
	<u>£253,876</u>	<u>19</u>	<u>10</u>

This includes the figures of the branches at Victoria, New Westminster, Richfield (Cariboo) and Quesnelle, as well as of the head office in London, and there was as yet nothing to suggest a rapid growth in the near future. It was not until the end of 1864, after the two years' limit had expired, that any considerable increase of business took place, and not until the following year did the directors consider it advisable to call up the balance of the subscribed capital. It also early became evident, as we have pointed out, that the requirements affecting the note issues were onerous. A third restriction which would militate against the success of the bank was the clause limiting its operations and power to establish branches to the colonies of British Columbia and Vancouver's Island. There is no doubt but that the lure of the gold-fields had been one of the most potent causes which had led to the founding of the bank, but the earlier discoveries on the Fraser and Thompson rivers had quieted down and the Cariboo diggings did not attract such a large army of miners, so that the



VIEW OF QUESNELLE, CARIBOO, IN 1865

Showing the office of the Bank of British Columbia (second building from the right).



EARLY VIEW OF BARKERVILLE, CARIBOO

Showing the office of the Bank of British Columbia (second building from the left).

business derived from this source afforded no stable foundation for a permanent banking business of any magnitude. Victoria itself was no longer the place it had been at the time of the first rush to the gold-fields. There is equally little doubt that by the time Mr. James D. Walker, the chief representative of the bank in the colonies, reached Victoria, after coasting up the western sea-coast of North America from Panama, he had been attracted by the opportunities for the operations of the bank offered by the Pacific Coast communities of the United States, and particularly by San Francisco. There was much reason for this. These districts of the United States were much further advanced than British Columbia in numbers and in realized wealth, and were growing rapidly.¹

The anti-British sentiment occasioned by the disputes of the civil war period would tell against the success of a London bank in Oregon or California, but other factors were favourable. Oregon had few banks, all of small capital. In California the banks were numerous and many of them strong, but the growth of commerce offered room for more, and in any case a bank with facilities for dealing in sterling exchange would have a niche of its own. Accordingly when it was decided in November, 1863, to apply to the Imperial Government for the desired modifications of the charter as regards the payment of the balance of the subscribed capital and the redemption of bank-notes, the Court determined to ask also for an extension of the field in which the bank might do business so as to include the whole of the Pacific coast of North America. This supplemental charter was granted on August 30, 1864, and contained the amendments asked for, authorizing the bank "to carry on the general business of banking in any city, town or place in North America to the westward of the

¹Population of Pacific Coast Communities, 1850 to 1910.

	1850	1860	1870	1880	1890	1900	1910
British Columbia			36,247	49,459	98,173	178,657	392,480
Washington.....		11,594	23,955	75,116	394,390	518,103	1,141,990
Oregon.....	13,294	52,463	90,923	174,768	313,767	413,536	672,765
California.....	92,597	379,994	560,247	864,694	1,213,398	1,483,053	2,372,549

meridian of longitude of 95 degrees west from Greenwich, being within any of our colonies, possessions or settlements, except the territories, limits or places granted to the Governor and Company of the Adventurers of England trading into Hudson's Bay . . . or not being within any of our colonies, possessions or settlements, but in which a British Consulate or Vice-Consulate is or may be hereafter established."¹

The New Westminster branch was a convenience to the government, but for the profit of the shareholders it was necessary to have some branches in operation with more promise of an active and paying business. Just as the miners went up stream in search of the richer placers and the elusive mother lode, the bank hoped to find its chief profit in the Cariboo country itself. Mr. Jones says that "probably more gold was taken from Williams Creek than any other small stream known; the pay dirt extended for three or four miles and the little towns of Richfield, Barkerville and Cameronton came into existence as the gold lead was traced down the stream." Accordingly, when the Bank of British Columbia opened its branch in the Cariboo, it appears to have followed this development. The first office in the district was opened at Richfield in the early summer² of 1863. This was closed during the winter of 1863-64 and reopened early in 1864. In 1865 and 1866 the branch was at Cameronton and in 1867 at Barkerville³ where it remained until finally closed at the end of March, 1879. In the spring of 1864 a second branch was opened at Quesnelle (or Quesnel), where the Quesnelle river joins the Fraser; this was at the time looked upon as the outer point of the upper country. The Bank of British North

¹A line drawn 95 degrees west of Greenwich would run slightly east of Winnipeg, from the western extremity of the Lake of the Woods to Galveston, Texas, or approximately through the centre of the continent of North America.

²Mr. Edwin Russell left Victoria to open the agency at Richfield about the end of May, 1863.

³For a description of Barkerville and of a journey from Victoria to the Cariboo in 1871, see Appendix IX, p. 470.

America opened a branch in the Cariboo in 1865, and Macdonald of Victoria also had an office there.

A journey to the Cariboo in 1864 was vastly easier than in 1861, but it was still an adventure to remember. Mr. Walter Young, who joined the bank in 1864, and later became assistant manager at San Francisco, was ordered to the Quesnelle branch after spending a few months in Victoria. "To reach Quesnelle," he writes, "you first took a steamer to New Westminster, and then another steamer up the Fraser river to Yale. Owing to the very swift current, the passage took a good many hours. The bank had a branch at Yale, which did quite a little business, as all teams and pack trains for the bar country¹ started from there, and it was at Yale that passengers took the stage (Barnard's Express) to Soda Creek; time, three days and most of three nights; fare, sixty dollars. From Soda Creek you took another steamer up the Fraser to the mouth of the Quesnelle. The captain, however, was quite pleasant. He said to the passengers, 'You all get a drink at my expense every time I blow the whistle,' and as the whistle sounded frequently, you doubtless can imagine the rest. Before leaving the boat at Soda Creek some one came around to know if anybody had a prayer-book. I was able to dig one up. He said a packer had just died and asked me to read the burial service over him. Finding that the deceased was a Mexican, I said, 'He must be a Catholic, and mine is an Episcopal prayer book,' but was told that was all right; 'everything goes.'"

Another glimpse of travelling conditions in Cariboo days, from a somewhat different angle, is given by Mr. Jones, who was transferred in the autumn of 1864 from New Westminster to the Cariboo. In the first year the branch at Richfield had been kept open only during the summer, but the miners petitioned to have it kept open for the winter, and accordingly Mr. Jones was sent north to relieve the first manager, Mr. Edwin Russell. "After spending a couple of weeks in

¹Where the gold was taken from the bars of gravel in the river.

Victoria," Mr. Jones writes, "I left there for the upper country, accompanied by the bank's two trusty messengers. We had \$40,000 in notes with us, for purchasing gold dust at the mines. Our steamer ran on the sand bars at the mouth of the Fraser river, where we were obliged to remain all night. At daylight we got off and caught the boat for Yale, ninety miles by river. This little town was full of miners, en route from Cariboo to spend the winter in Victoria or California. Many had money. The drinking saloons were crowded, and all the billiard tables were occupied at a dollar a game; many of the tables were entirely constructed of wood. From Yale our journey was by the far-famed Cariboo wagon road. We started at ten at night, with six horses in the coach, or stage, as it was called. The stage was hung on stout leather belts, instead of springs. The belts swung fore and aft, so that I soon got sea-sick or rather coach-sick, and was very wretched for some hours. We changed horses—or rather Indian ponies—every fifteen or twenty miles, at roadside houses. All passengers of course had to alight and have a drink at these places. Fortunately the bottle was handed to the customer on such occasions, so one could take a very small drink, if so disposed, though paying the usual half dollar all the same. After two nights and three days we got to Clinton, where I was informed we should be for five hours, if I wanted a sleep. I was directed to go up a ladder into a sort of loft, over some stables. There I saw about a dozen small beds, but as all were occupied I waited my turn, and as a miner vacated one I was not long in divesting myself of boots only, and was soon asleep. Sheets were not known in those days, as they showed the dirt too soon, but one could not always tell how long blue or green blankets had been in use.

"A day or two more brought us to Soda Creek, where the wagon road ended in 1864. We had a fair night's rest there and were wakened next morning before daylight by mine host bringing round a tray of cocktails, telling us that we must

take one for 'the good of the house.' From Soda Creek we rode sixty miles to Quesnelle, as the river steamer was laid up for the winter. The scenery along the wagon road was very grand, especially in the stretches near the Fraser river. At one place, Jackass mountain, one could throw a stone—I might almost say, drop it—into the water eleven hundred feet below, and there was no wall or protection of any kind between the stage coach and the precipice. From Quesnelle (so named after one of Simon Fraser's party here in 1808) we again took horses for the remaining sixty-five miles to Cariboo. I shall always remember the last few hours of our journey through the forest, in total darkness, our candle, set in a bottle with the end knocked off, having burned out long before the journey's end. Luckily our horses kept the trail, and we were glad to arrive on the gold-fields after a trip of twelve days from Victoria."

The Cariboo gold-field was of immense extent, though the deposits which gave it fame were found in a stretch of a few miles along three or four of its countless creeks and rivers. The Cariboo country—a sea of mountains, the remnants of a still higher plateau—was circled by the Fraser, into which its streams flowed and carried down their gold. The hills and rivers held gold in immense quantities, but only a small fraction has even yet been uncovered. The distance of the field from the coast, the difficulties and cost of transport through swirling rivers and thick forests, and the deep beds of clay and gravel beneath which many of the gold deposits had been buried in the ice age, made prospecting and development no easy task. On the Fraser, the gold had been found chiefly on sand bars or river benches, where the surface earth could easily be treated in rocker or sluice-box, wherever water and quicksilver were available. In the Cariboo, the richer deposits were found fifty or a hundred feet below the present watercourses, in the beds which the rivers had occupied in pre-glacial days, and where the gold had settled on the bed-rock, or on the blue clay immediately above it. To reach

these deposits it was necessary to sink shafts beside the present streams, and drift laterally in search of the old stream bed.

With all these difficulties, wherever chance or sign showed the way, the fortunate miner found gold heaped more abundantly in a small space than any land had ever known before. On Williams Creek, the fifty-foot Diller claim yielded \$240,000 all told, and the Cunningham claim, \$2,000 a day for a whole season. In 1863, three claims yielded \$300,000, and twenty claims were steadily producing from 70 to 400 ounces a day. On Antler Creek, \$1,000 a square foot was dug out. "On the Diller claim," writes a distinguished old timer, John Grant, commissary and paymaster on the Cariboo roads from 1862 to 1866, and later Mayor of Victoria, "in one day's work of ten hours, five men, two picking the gravel below, two hoisting it fifty-seven feet by means of buckets, and one stirring it up in a dump box to prevent the pay dirt from being carried off by the water before it was properly washed, cleaned up a hundred pounds of gold. A little over a mile down the creek, the celebrated Cameron claim was located by John A. Cameron, Robert Stevenson, McInnes and another miner, late in the fall of 1862. The three first-named sank a shaft and took out quite a quantity of gold dust; the fourth owner left for Victoria before the result was known. Early in the winter Cameron and Stevenson went to Victoria, where Cameron bought out the absent partner. They returned to Cariboo about the end of the following April, and proceeded to open up the claim. Before doing so, Cameron induced a man named Wattie to locate a hundred feet square alongside the Cameron claim, and got a transfer of it by employing Wattie as foreman at \$16 a day. In a shade over four months Cameron had received in dividends from the two claims close upon \$250,000, and left for his old home near Ottawa (Glengarry)."

Not all the Argonauts were so lucky. William Dietz, after whom Williams Creek was named, died a pauper in Victoria, and Rose, the pioneer in this camp, died of starvation

while prospecting still further in the wilds. "A Welshman who had \$45,000 in gold dust in the bank," writes Mr. Jones, "told me that when it got to \$50,000 he would go home to spend the rest of his days in comfort. For two or three weeks he added to his pile and got very near his mark. But his next visit was to draw \$800 to pay his men. As he said, they had got off the lead, and I am afraid he never struck it again. He gradually drew out all his dust, and I heard he was 'dead broke' before the year was out." The average gold miner in the first thirty years of placer mining made, according to the computations of Dr. George M. Dawson, a scant \$622 a year.¹ But what gold-seeker expected to have only average success?

"About twelve hundred people," Mr. Jones continues, "wintered on Williams Creek in 1864-65. Although we had not many luxuries there was plenty of beef and mutton, as large numbers of cattle were slaughtered in the fall, and were soon frozen solid and thawed out as required. Occasionally we had fish and bear meat. Eggs and milk we did not get. Some enterprising farmer about two hundred miles down the wagon road sent up a barrel of milk, frozen, of course, for Christmas day. I bought a pound, chipped off the block with an axe, and carried it home in my pocket like washing soda. Two frozen turkeys also arrived, and were raffled for \$125. I took a chance, but did not get a prize. However, I was asked to dine off one on Christmas Day by the fortunate winner. On my first arrival in the Cariboo, Mr. Russell, whom I was relieving, and I, dined with the gold commissioner, who was also leaving for the lower country. As a great treat, we had two bottles of Bass' beer. They had been given him by an enterprising saloon keeper, who had imported the only case (four dozen) that reached Cariboo that year. Indeed, I was told that only eighteen bottles ever got there, the rest being broken en route, but the other sixteen were sold at five dollars a bottle. The price of all other liquors

¹See Appendix X, p. 473.

and provisions was in proportion—brandy ten to twelve dollars a bottle, and champagne an ounce of gold, or sixteen dollars. A large amount was consumed at this figure when some of the boys struck it rich in their claims.

"The bank staff had their meals at a restaurant about half a mile from the office, and we had pretty good fare, but only two meals a day, for which we paid \$25 a week. The bank gave all those who resided in the Cariboo district a gold-field allowance, in addition to regular salary—\$100 per month for each officer at Quesnelle branch and \$125 for those at Cariboo, and this allowance was supposed to cover the extra cost of living up country, which I think it did, as we always slept at the bank."

In the words of James Anderson, the Cariboo poet,

"You'd maybe like to ken what pay
Miners get here for ilka day.
Jist twa pound sterling, sure as death—
It should be four—atween us baith.
For gin ye count the cost o' livin'
There's naething left to gang and come on;
And should you bide the winter here,
The shoppy-buddies'll grab your gear.

• • • • •
Aitmeal four skillins, flour is twa,
And milk's no to be had ava.

• • • • •
Aye—a'thing sells at a lang price,
Tea, coffee, sugar, bacon, rice,
Four skillins a pund, and something mair,
And e'en the weights are rather bare—
Sae much for prices."

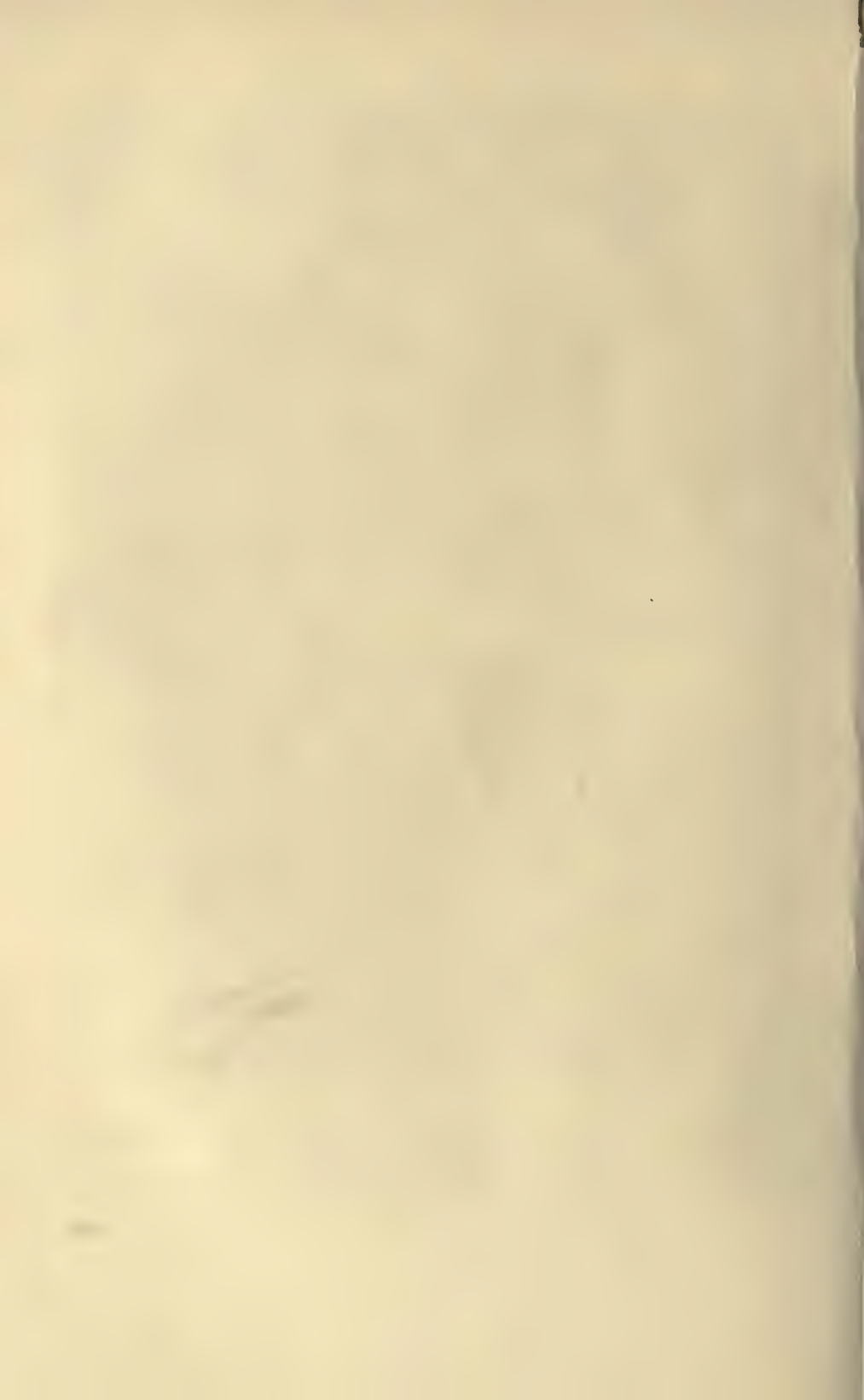
Amusements were not confined to the saloon. "Gambling," Mr. John Grant records, "was carried on in the open. Sterling had a large hall alongside his dance hall, where what are known as 'banking games' were dealt on a percentage.



THE CARIBOO TRAIL

Chapman's Bar Bluff, Fraser River, B.C. On the right bank of the Fraser near Spuzzum.

GOLD COIN OF THE GOVERNMENT OF BRITISH COLUMBIA
(See Appendix VIII.)



One knew when he played against a bank that the odds were against him, but there are times when the outsider's luck beats the percentage, which makes the gamble. One evening, when we were looking on, Sir Matthew B. Begbie, the Chief Justice, came in, looked on, first at one game then at another, and walked out without saying a word to anyone. The professional gamblers of Cariboo must have been reasonably honest, as I cannot say that I ever heard of any of them being accused of cheating. Several of them could go to business men and get accommodated if they ran short. For years in the sixties, too, the dance halls flourished on Williams Creek. At one time there were four sets, four constituting a set. The dancers were nearly all German girls, and were known as 'hurdies.' Each set had a boss or leader. They were well behaved, with but one idea—to make money. Sterling's was the principal dance hall. Step in in the evening and the chances were that you would find a hundred looking on; much of the mining was done within a mile of the hall. A dollar a dance was the price, half to the girl and half to the bar. The gentleman asked for what he desired, but to the credit of the girls, be it said, that I never saw one drink anything stronger than soda water. Just so long as there was any one to dance with, the girls were there. It is said that on one occasion, at Sterling's, they danced 108 times during the night, that was \$54 for each girl." James Anderson's muse is as much at home in describing these damsels as the price of "aitmeal:"

"Last simmer we had lassies here
Frae Germany—the hurdies, O!
And troth I wot, as I'm a Scot,
They were the bonnie hurdies, O!

There was Kate and Mary, blithe and airy,
And dumpy little Lizzie, O!
And one they ca'd the Kangaroo,
A strappin' rattlin' hizzy, O!

They danced at nicht in dresses light,
Frae late until the early, O!
But Oh! their hearts were hard as flint,
Which vexed the laddies sairly, O!

The dollar was their only love,
And that they lo'ed fu' dearly, O!
They dinna care a flea for men,
Let them court hoo'er sincerely, O!

They left the creek wi' lots o' gold,
Danced frae oor lads so clever, O!
My blessins' on their 'sour krout' heads,
Gif they stay awa for ever, O!"

There were few religious counter-attractions. "There was no church in the Cariboo district in those times," writes Mr. Jones, "though when I was there last in 1869 two denominations were represented. The Church of England had service in a room over a blacksmith's shop. As the anvils kept going all the time, sharpening the miner's picks, etc., the noise was rather disconcerting. On one occasion a dog fight commenced outside, and the congregation got gradually less and less, until the gold commissioner and the bank manager were the only two left. When the dog fight was over, the men returned and the service was concluded.

"Sunday, in the early years, was the usual day for washing up at the dump boxes. After the miners had sold all the dust they wished, they had a wash up and put on what they termed a 'biled shirt', and had a good time for the rest of the day. The first Sunday I was on the Creek we bought \$26,000 worth of dust. I did not like the Sunday work, so after being there a few weeks I put a notice in the office that after January 1, 1865, the bank would close at one o'clock, and in three months more intimated that the office would not do any Sunday business. The miners did not like this at first, but gradually got used to it and had their wash-up on Saturdays."

Mr. Grant also throws some light on matters ecclesiastical: "As to clergymen, there were quite a few of the different sects who visited us periodically. One was a Rev. Mr. Sheepshanks, whose living was at Esquimalt. He had a reputation for being a big eater. It is said that a leg of mutton was only an ordinary meal for him. At any rate I do know that while he was visiting Cariboo, where meals at a first class restaurant cost \$2.50 in the early sixties, he was told, after taking the first meal or two, that meals would be \$5 in future. After he indulged in a \$5 meal he was informed that his patronage was not desired. However, there was a nice little gentleman of the cloth, a disciple of John Wesley, who was very popular among the boys. He was always at home among the miners, and collected their stories and quaint sayings, of which he had a small volume."

Laymen were still more unconventional than the clergy. "Cariboo had its full share of unique characters," Mr. Grant continues. "I may give an idea of some of them. Two men by the names of Abbott and Curry got at cross purposes and said very severe things to each other. Abbott was a very tall large man, while Johnnie Curry was a short small man from the Southern States. Johnnie made his living off the green cloth, and was said to be most honourable. After he had exhausted his stock of Billingsgate he addressed his enemy thus: 'Abbott, I cannot fight you with my fists—you are so much bigger than I, but I can fight at ten paces.' Abbott replied, 'Johnnie, that wouldn't be fair. I am so much bigger than you, you would have a big mark to shoot at, while I would have a small one and might miss,' to which Curry retorted, 'Chalk out my size on your dirty carcass, and if I hit outside of that it don't count.' That was truly a new principle in duelling."

In such surroundings, banking must also be out of the conventional rut. The bank offices had little resemblance to the imposing buildings which nowadays give the impression of strength and stability. At Cameronton, the office was a

two-roomed shack, built of boards, and with many a chink through which the snow used to drift, until the walls were lined with cotton and paper. The safe was simply an iron box about three feet by two, and two and a half feet high. It had a lid with only one lock and no combination, and was often so full that there was difficulty in getting the lid to close. Frequently there was \$150,000 to \$200,000 in this box, comprising the bank's gold dust and that left by customers for safe-keeping, together with bank-notes and coin. In due time a proper safe came up by sleigh, and when the town of Barkerville was entirely burned down in 1868, this safe was the on'y thing left. At Quesnelle, the bank had a small warehouse in the rear for storing goods on which advances had been made—an early version of the Canadian warehouse receipt system. "The bank building," Mr. Young notes, "was a log house with a lot of bear skins tacked on the outside to dry, the owners of the skins putting them up without even asking permission. We treated our customers well, had a good fire, and furnished plug tobacco free, with a sharpened axe-head and a board to cut it on."

A fair amount of business was done in the way of discounting bills and making advances to traders. The rates charged for one, two and three months' paper—twenty-four, thirty and thirty-six per cent respectively—appeared to Mr. Jones to be exorbitant. "On pointing this out to a customer one day by way of discouraging the transaction, and saying I could not see how it was possible that he could pay thirty-six per cent. and make a profit, he replied that if he could get the money to pay freight on his goods at Yale en route to Cariboo, he could easily sell them on arrival at one hundred per cent. profit." Later experience proved that even at these rates the business was frequently far from profitable to the bank. Injudicious advances, usually in the form of overdrafts, made at the up-country branches, under later managers, led to heavy losses. A less risky business was the sale of exchange on Victoria and outside points. The purchase of gold dust,



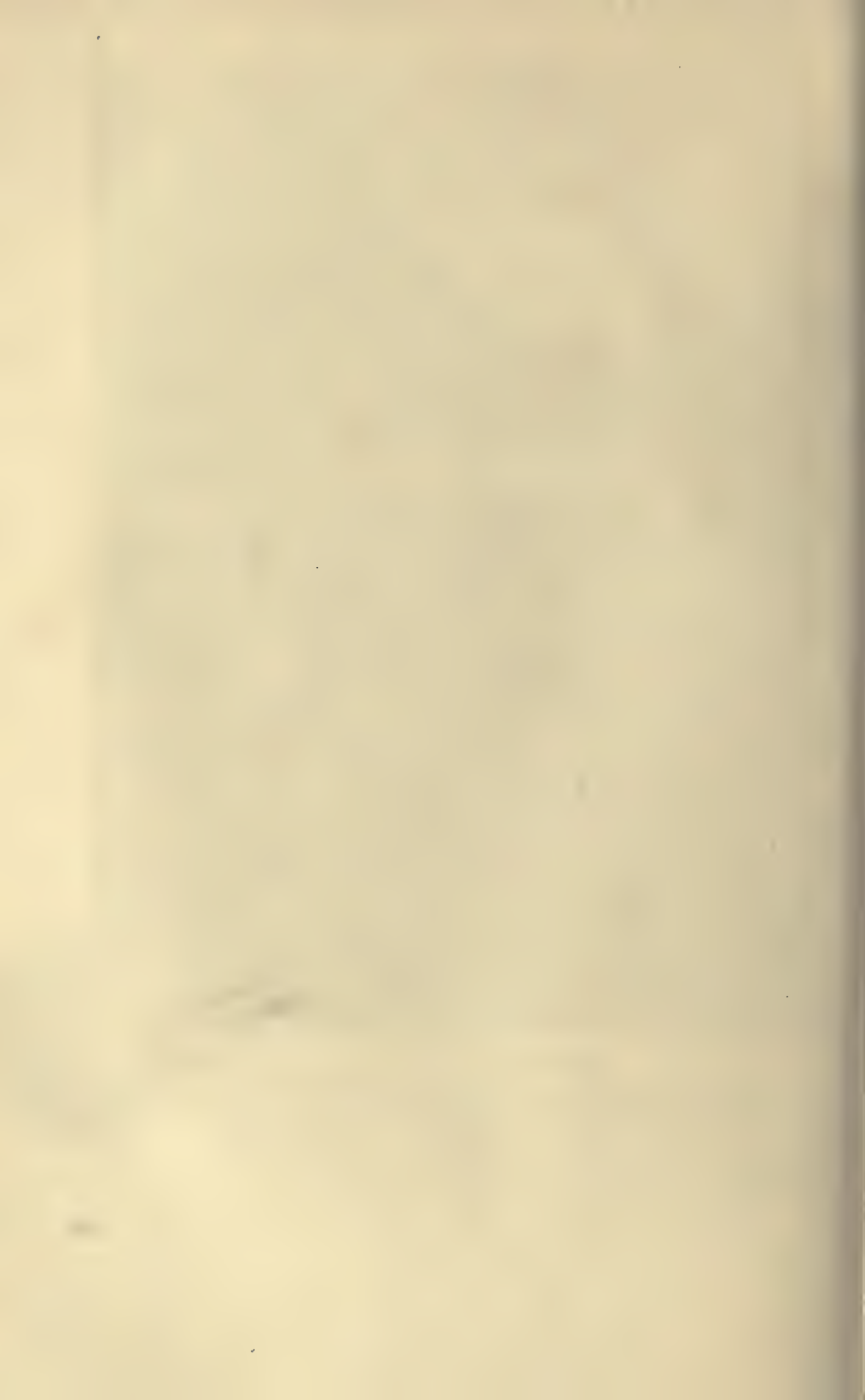
THE CARIBOO TRAIL

China Bar Bluff, Fraser River. B.C. On the right bank of the Fraser, six miles south of North Bend, 21 or 22 miles north of Yale.

GOLD COIN OF THE GOVERNMENT OF BRITISH COLUMBIA
(See Appendix VIII.)

PLATE NO. 37.





however, was the most important feature of the work of both branches.

"The value of the gold from the various creeks differed considerably," Mr. Jones records. "We used to give from \$14 an ounce for amalgam, to \$19.25 for Lowhee,¹ which was the best in the district. We purchased gold from about twenty creeks, and our price was exhibited in the office. There was always someone on the bank's staff there who had several months' experience. As new discoveries were made, we could pretty well tell the value to, say, twenty-five cents an ounce, but we always sent samples for assay to confirm our price, until our own assay office was opened. If miners were taking out more gold dust than they required for wages and other expenses, they generally sold to the bank what they considered the worst portion, nuggets impregnated with quartz. We broke these up in a pestle and mortar kept for the purpose, and blew all sand, etc., out of the dust, using small copper trays with a narrow outlet. A steel magnet would extract the black sand from the gold dust of most of the creeks. Dust was often passed over the counter not so clean as it should be, and frequently it was said to be from a claim worth a dollar an ounce more than it really was. I have even seen dust well mixed with brass filings, in the hope that the deception might not be noticed, but I do not think we were ever imposed on in this way." The Chinese miners matched their Caucasian brethren. "Amalgam was made mostly by Chinamen," wrote Mr. Townsend, who also spent a few months at Quesnelle, "who were content to work in the poor-paying and worked-out spots, by means of a rocker, from which the gold was gathered by the use of quicksilver, and rolled into balls about the size of a walnut. The methods of the Chinamen were peculiar, and it was never safe to purchase their amalgam without close inspection, as the balls frequently contained stones or lumps of iron instead of gold. . . . The prices paid for gold did not undergo any change for many years, and

¹That is, gold dust from Lowhee Creek.

ruled as follows: Amalgam \$14 per ounce, coarse dust \$16, fine dust \$17 to \$18, according to location."

"When I went back to Barkerville in the summer of 1869," Mr. Jones' narrative continues, "we frequently bought thirty to forty lots of gold dust a day. At the close of business this was put into our large scales to see that the total weight agreed with the books. On one occasion, when the total remittance to New Westminster for assay was made up, it was found to be about a hundred and ten ounces short. After much trouble and anxiety this was found to be the exact amount of our day's purchases three days earlier. The cashier, Mr. Fraser, then called to mind that when he was weighing the day's total a friend called to ask him to go for a walk. In the hurry to get off, he speedily placed the cash and books in the safe, and overlooked the gold in the scales. Our Chinaman, who had a key of the bank, and let himself in at seven a.m. to sweep the office, doubtless saw the gold dust in the scale and was tempted to take it. I got the chief of police to apprehend the Chinaman, but he stoutly denied the theft. Although the police, so they informed me, threatened to hang him if he did not confess, and actually hoisted him from the ground by a rope around his neck, he always declared his innocence, and was finally let off. We had no positive proof that he took the gold, but in my opinion no one else could have done so. When this affair was fully reported to our London office, Mr. Fraser was called upon to make good the loss, about \$1,700, but the greater part of this amount was refunded to him by the bank the following Christmas."

In 1865, in view of the inconvenience of sending gold down to New Westminster to be assayed, the Bank of British Columbia and the Bank of British North America opened assay offices in the Cariboo.¹ The plant of the Bank of British Columbia was brought up from San Francisco with a

¹The assay office of the Bank of British Columbia was probably situated at Cameronton, though Mr. Townsend, the inspector, states that it was at Barkerville.

good deal of difficulty, and an experienced assayer was sent out from London. The assaying venture did not prove a success. Both banks lost substantially, and gave up the work. The Bank of British Columbia closed its assay office about the end of 1866, and the Bank of British North America shortly after removed its plant to Victoria. So far as the Bank of British Columbia was concerned, a high official attributed much of the failure to carelessness and inattention to work on the part of the local staff, due to irregular habits. Wrong values were stamped on the bars, and on more than one occasion reclamations were made by the purchasers in San Francisco.

The next task was to transport the gold dust safely to Victoria or beyond. From 1861 to 1863 the government provided a mounted and armed escort¹ for gold pack trains down to the coast, but gave up this practice the following year because of the heavy expense. Mr. James D. Walker, writing from Victoria to the London manager on November 16, 1863, says: "I regret to say that the gold escort has not met with the success I hoped for, although I by no means consider it as a failure. Its want of more complete success resulted, I think, from its being started too late in the season, the natural want of confidence in all government schemes which seems inherent in the minds of Americans, and the fact that the fees were too high and were the same to all whether the amount sent were great or small. The expenses of the escort will no doubt far exceed its receipts, and it seems doubtful if the Government will repeat the experiment." Mr. Walker had apparently been largely instrumental in inducing the Government to try the experiment, so as to facilitate the operations of the bank at the gold-fields, but he was not discouraged by the outcome and goes on to explain his plans for bringing down the bank's

¹Governor Douglas to Colonial Secretary, July 16, 1861. The estimates of the expense of the escort in 1862 were as follows: Salaries, etc., £1,460; transport £5,000; a total of £6,460.

gold the coming year, when he hoped to have two offices open in the gold-fields. "The present express company between here and the Cariboo is well and efficiently conducted and I know Mr. Barnard would add a full and competent escort if supported by the bank. Along with the escort I would propose that Welch [the bank's trusted messenger] should travel with the treasure, and I believe this would answer every requirement. The line of road is being so settled that the risk of travel is being lessened every month, and Mr. Russell would take care that the treasure was well escorted." Again the following spring he notes: "The Government have decided to discontinue the gold escort, and my efforts are directed to further the establishment of a mounted patrol in addition to the police force at present existing, with, I believe, good hopes of success. I have also arranged with Barnard's Express that in the event of our opening at Richfield our treasure will be sent down three times a month accompanied by an escort of at least three men besides Welch, from Richfield to Quesnelle, and from Quesnelle to New Westminster it will be conveyed in burglar-proof safes with combination locks built into the wagons and guarded by two express men and our own messenger. The rates of transport for our treasure will be about one and a quarter per cent. from Richfield to Quesnelle and three-quarters per cent. from Quesnelle to New Westminster, so that we will accomplish it as cheaply as we did by escort, and by moving our gold more frequently, and perhaps in smaller quantities at once, will so divide the risk, which, however, is at a minimum." Thereafter Barnard's Express¹ conveyed the treasure of the banks, as well as of most private holders, by stage coach in summer and sleigh

¹Barnard's Express was established by Francis J. Barnard, an enterprising Canadian who went from Toronto to British Columbia in 1859 and established a stage and express line from Yale to Barkerville. He afterwards represented Yale-Kootenay in the Dominion House of Commons from 1879 to 1887, and was an active supporter of the confederation of British Columbia with the Dominion of Canada. His son, Sir Frank Stillman Barnard, was appointed Lieutenant-Governor of British Columbia in December, 1914.



THE CARIBOO TRAIL

The Great Bluff on the Thompson River, B.C. About 12 miles south of Spence's Bridge, not far from a road-house near Nicomen on a tributary of the Thompson, not to be confused with Nicomen on the Fraser, near Mission City.



YALE, B.C., IN THE "SIXTIES"

The head of navigation on the Fraser River.

in winter. The driver and guard were armed, and the bank sent two armed men in charge of the gold until it reached its destination.

Barnard's Express also carried the mails, and in the correspondence of the Bank of British Columbia there is a reference to an interesting attempt to anticipate the developments of later days by substituting steam traction engines, or "road steamers," as they were called, for horses as the motive power of the Cariboo stage route. In 1871 the contract with the Government for the carriage of the mails expired, and Mr. Barnard was underbid in tendering for a renewal by a rival concern. He had, however, no intention of going out of the express and forwarding business, and desired to continue the carrying of the bank's treasure. Accordingly the Victoria manager advised his head office¹ that "Mr. Barnard has arrangements in preparation for substituting the mode of conveyance at present in use by placing a sufficient number of 'Thomson's Patent Road Steamers' on the route, by which course he fully expects to lessen the cost of transit and increase the rate of speed for the trips. He is endeavouring to obtain a charter from the legislature now in session, securing the right of exclusive use of these steamers for three years, and from his personal observation he is satisfied of their adaptability for all purposes required . . . From the representations made to me there seems little doubt of the road steamer carriage being far safer than the stage drawn by horses. The drivers for the steamers are to be sent from England and are to be men picked for the service." Four months later the manager had to report the failure of the enterprise. "The trial trip of the road engines has not resulted as satisfactorily as had been anticipated, and Messrs. Barnard and Beedy, the projectors of the new enterprise, have decided not to proceed any further with the undertaking this season. Some minor defects require to be made good, and further expense incurred, before any practical results can be obtained,

¹Victoria "Private" letter to Head Office, January 10, 1871.

and Mr. Beedy has decided to undertake no further responsibility in connection with the affair. Mr. Barnard, though stating his thorough conviction of the adaptability of the road engines for the work intended, is unprepared to carry on the business single handed, and the engines that they have paid for have been laid up for the present. Mr. Barnard hopes before long to obtain a five year contract for carrying the mail, under the Dominion Government, and then to obtain the necessary assistance from friends or otherwise for placing the road steamers on the route always intended, i.e., between Yale and Cariboo; meantime, he will continue his business as formerly."

All dust bought at Cariboo was packed in buckskin bags, containing 250 ounces each, and these bags were put into iron chests about eighteen inches each way. When filled, these chests weighed about five hundred pounds each, and so were not easily carried, particularly as they were made without handles, in order to make matters less convenient for any possible robber. As an additional precaution the chests were fastened to the bottom of the stage. The gold dust was brought by pack train down to Quesnelle and forwarded from there to Soda Creek by steamer. From Soda Creek to Yale it was carried by stage, then by other steamers from Yale to New Westminster, and from New Westminster to Victoria.

On board the steamer between Quesnelle and Soda Creek and between Yale and New Westminster, an empty cask was attached to the chest by a long rope, so that in the event of the chest being sunk it would provide a buoy to show the location. Mr. Young recalls that frequently when the pack train arrived at Quesnelle, the steamer would not start until next day, and as the bank's safe would not hold all the gold, it was necessary for the staff to take turns in sleeping on it. On their return trip up country, the bank messengers took back the necessary supplies of bank-notes, guarded in the same way as the gold had been.

It is a surprising fact that with all the desperadoes who had drifted in from the world's ends no attack was ever made on Barnard's Express, though Mr. Townsend records an attempt to wreck it by a tree-trunk thrown across the track, which was foiled by the driver's alertness. This remarkable record was due in part to the terror Chief Justice Begbie had instilled in evildoers, but perhaps quite as much to the difficulty of getting out of the country. There was only one road into the Cariboo, and the alternative was to make for the American boundary, three or four hundred miles away, through dense forests and over high mountains, with the almost certain prospect of starvation.

For a time in later years the gold dust was sent down to Victoria by mail, insured against loss, but in April, 1874, the postal authorities refused to carry it any more, and it was necessary to revert again to the former method. Messrs. Barnard and Company were willing to enter into a contract to carry the gold "at the rate recently paid," namely, three-quarters per cent. In addition, the shipments were insured, as had been the practice since 1869, the rate of insurance from Cariboo to Victoria being one-quarter per cent. on shipments by express and one-half per cent. on shipments by mail.

Before the banks had set up their own assaying departments, the gold dust was taken to the Government assay office in New Westminster, where it was melted and made into bars. The bars, whether from New Westminster or from Cariboo, were shipped to Victoria, usually by the Hudson's Bay Company's steamers. In the early days some experiments were made in sending the gold on to London,¹ in vessels of the British navy returning from the Pacific station. The results did not prove satisfactory, as the naval vessels often broke the voyage by stopping at intermediate ports en

¹See Appendix XI, p. 474.

route,¹ and all subsequent shipments were made to San Francisco. There the gold was sold at current rates, the Selby Smelting and Lead Company being the chief buyers, but local banks were often in the market for bars to ship to New York to cover obligations. In later years, the best results were obtained by sending the bars to the United States mint at San Francisco for coinage. Throughout the journey, the gold was insured in London on open policy, and during the Civil War, when Confederate raiders were feared, insurance against capture was included. In more than one shipment, in 1862 and 1863, when the tension between the United Kingdom and the Northern States was acute, we find also insurance against war-risk.

An interesting episode in up-country experience was the attempt to run a telegraph line by land to Europe. "My busiest time at Quesnelle," writes Mr. Jones, who was transferred there in July, 1865, "was when the American Telegraph engineers and workmen reached there, at the end of 1865. You may remember that the first attempt to lay an Atlantic cable was a failure, and that many people thought it never could be laid successfully. Some enterprising Americans secured a charter from the British Columbia Government to carry a line through the country to Bering Sea, about twenty-four hundred miles, then across the Straits to Asia, and thence to Europe. The poles and wires were run several hundred

¹For instance, in the autumn of 1863 it was arranged to send a shipment of gold by the British man-of-war "Sutlez." The shipment was made from Victoria on September 23 and arrived on December 30, having been 98 days on the voyage. It had been expected in London about the middle of November. On November 14 the London manager wrote: "We hear that the Sutlez was at San Francisco on October 1, where she would remain for eight days, and on her way to Panama would call at Mazatlan, Manzanilla and Acapulco. If you have shipped any gold by her, the loss of interest arising from these delays will more than counterbalance any saving we shall make in insurance." However, when the gold arrived it sold for 77s. 11½d. per ounce, "the highest price, indicating the presence of a large quantity of silver," and the London office appeared quite satisfied with the outcome. The cost of insurance by the "Sutlez" was reduced to 15s. per cent., the risk of capture, for which 5s. per cent. was charged, being eliminated.

miles through British Columbia and had reached about a hundred and fifty miles northwest of Quesnelle, through an almost unknown country, before it was learned that the second attempt to lay the Atlantic cable had proved a great success. Work on the British Columbia line was at once abandoned. The promoters must have lost heavily, as they left thousands of coils of wire in the woods, rather than stand the cost of removal. I shall always remember the day at Quesnelle when we got in touch by wire with Victoria and other places. I must not say how many bottles of champagne were consumed in drinking the health of our friends down country, but I recall that the superintendent of the telegraph company sent all messages to and fro free."

Among the duties with which Mr. Walker was charged on coming out from England in 1862, was the making of arrangements with substantial firms to act as the bank's agents in New York, San Francisco, Panama and elsewhere. Trading firms conducting also more or less private-banking business were given the preference for the purpose over the regular banks, as it was considered that there was less clashing of interests. A few months after Mr. Walker's arrival, Messrs. Falkner, Bell and Company, an English firm established in San Francisco, were appointed agents at that place. Messrs. Maitland, Phelps and Company acted in a similar capacity in New York, and Messrs. Ladd and Tilton in Portland, Ore. During the next year Messrs. Gillespie, Moffat and Company of Montreal became the first Canadian agents of the bank. To assist the reader in grasping the difference between the conditions of that day and the present, it is interesting to note that Messrs. Gillespie, Moffat and Company advised the Bank of British Columbia that so far there had been little intercourse between the two colonies, but that if the projected telegraph and other communication through the Red River country should be carried out, the connection might become more intimate. New York is described by the London manager of the bank in 1863 as being "as much the centre of

exchange and finance to the Northern States and Canada as London is to Great Britain. All the Canadian banks have agents in New York, and if your drafts on New York were payable in gold I should think that they would be as readily bought for remittance to Canada as bills on London would be for remittance to Glasgow or Belfast. You might thus meet the demand for bills on Canada until such time as we have agents of our own there." It is significant that Canadian agents were not appointed until a year after this letter was written. At the same time there were hopes of closer intercourse between the two colonies, and it is well, in view of the preponderant influence of San Francisco on the business affiliations of the Pacific coast, that the British connection should thus have been strengthened. In December, 1862, the directors asked the Victoria manager to give attention to the desirability of establishing a uniform standard of value for the pound sterling throughout British North America. They look forward to extensive intercourse between Canada and the Pacific coast colonies at no distant day, deem it advisable that the method of quoting exchange should be the same as in Canada, and ask the manager to use his influence to that end. Perhaps the connection of Mr. Robert Gillespie, the deputy chairman, whose interest in the affairs of the bank was always keen, with the business and trade of Canada through his partnership in the house of Gillespie, Moffat and Company, may have had something to do with this advice, but it is evident that the influence of the Bank of British Columbia was strongly directed towards the strengthening of the ties with Great Britain and Canada.

At this time, however, San Francisco was the main centre of all trade with the colony. Through that city ran the only avenues of communication with the outer world, and its proximity, with the added fact that it was the only civilized community of any size or importance within convenient reach, rendered an intimacy of commercial relations inevitable. From California, too, had come the gold-seekers of 1858,

outnumbering by twenty to one the white population of the two colonies, and though there was a sprinkling of the foreign element among them, the citizens of the United States formed by far the largest single group of the population of the mining camps. Thus there was from the first a large volume of banking transactions with San Francisco, and the agency commission of one-half per cent. charged by Messrs. Falkner, Bell and Company was soon found to be burdensome, especially as the Victoria branch appears to have both bought and sold drafts on San Francisco at par. Apparently the first suggestion that the bank should establish an agency of its own at San Francisco came from Mr. Walker, but it was not entertained at the time by the Court of Directors, probably because the power to open branches conferred by the charter was confined to places within the colonies of British Columbia and Vancouver's Island. They desired rather a reduction in the rate of the agency commission, or an arrangement on the basis of a yearly payment which would not vary with the amount of business transacted. Failing in this endeavour, they appear to have sought legal advice to devise a plan to open a branch which would fit in with the provisions of their charter, which had not yet been modified. Accordingly the Victoria manager was asked on May 28, 1863, to report on the advisability of the following proposal: "As the bank cannot have a branch beyond the limits of its charter, the agents would have to conduct the business of the bank in their own names, much as though they constituted a firm, save that they would sign their names separately and not collectively. You will at once see the increased risk attending such an agency, and in consequence of such risk there must be three agents acting as a local Board, and in case of a difference of opinion the majority would decide. There must also be two signatures to every draft, acceptance or endorsement.

"Thus all three agents must be able, experienced and trustworthy men, and consequently well paid, and their salaries, with office rent, clerks' salaries, stationery and incidental

expenses, would amount to a large sum, and the directors would wish to receive an estimate from you of the probable expense of such an agency as well as a report on the nature of the business to be transacted by it."

Mr. Walker, in his reply, promptly negatived this proposal as being altogether out of question on the score of expense, at least for many years to come. He writes: "A staff such as you propose, in a place like San Francisco where salaries rule *very* high, would require a very large business to support, and when I mention that the Rothschild's agency is conducted by two only, and that their business is perhaps the largest banking business in San Francisco, I cannot see the need for such an establishment as you indicate, especially at first. My desire in urging this step upon the Court was to place the bank on an equal footing with the American houses here, and have someone who could nurse our connection between San Francisco and this, and devote his whole time to the interests of the bank as no agents on commission can be expected to do. At the same time an exchange and agency business could be gradually developed, and in the future, as these colonies grow and relations are opened with China and the East, and the belt of communication stretches from Europe across the American continent, I think such an agency would be a necessity. Since I first wrote the Court on the subject, the continuance of the war in the United States, and as a consequence, the unsettled state of California and the possibility, should matters go to extremes, of a separate western republic, all combine to unsettle affairs and I would therefore respectfully recommend that for the present the matter be left in abeyance, to be resumed I trust at no distant day. I must, however, state my conviction that such an agency would materially assist the interests of the bank in these colonies, and when our necessities require the appointment of an inspector I do not see the difficulty of having an agency of the bank at San Francisco in his name and that of another—to be controlled by the former and worked in his absence by the latter."



OFFICE OF THE BANK OF BRITISH COLUMBIA, LOMBARD STREET,
LONDON

Occupied by them 1890-1900, and by The Canadian Bank of Commerce 1901-1907.

PLATE No. 39.



The question again came before the Court on receipt of this letter, and instructions were at once sent out (September, 1863) to ascertain whether Messrs. Falkner, Bell and Company would work jointly with a salaried officer of the bank, dividing the agency commission with him. Failing the acceptance of this proposal, the Court desired arrangements to be made without loss of time to establish the agency along the lines suggested by Mr. Walker, and proposed that, in anticipation of the appointment of an inspector, his name should be associated with the office. Mr. Walker's reply shows that he was becoming steadily more enthusiastic about the proposal. He deprecated the joint agency with Messrs. Falkner, Bell and Company (which was subsequently declined by that firm) as likely to prove embarrassing because of the undefined division of powers, and pointed to the large amount of commissions already paid Messrs. Falkner, Bell and Company¹ as indicating that the agency would pay its way almost from the start. He added that Mr. Donald Fraser, *The Times* correspondent already referred to, a man "whose opinion I value most highly on such a point," assured him that he considered the prospects of opening at San Francisco to be much brighter than when the bank opened in British Columbia. The reply of the Court to this was to ask Mr. Walker to take charge of the new agency, leaving Mr. D. M. Lang, the accountant at Victoria, in charge of that branch. As it was expected that the supplemental charter, which extended the sphere of the bank's business outside the colonies of British Columbia and Vancouver's Island,² would be obtained before the San Francisco office could be opened, the Court preferred to establish the office in that city as the Bank of British Columbia rather than in the names of agents. They desired

¹These commissions amounted to \$2,583.25 for the first year, with the prospect of an increase to \$2,500 for the last quarter of 1863, and of steady growth thereafter as the bank's business expanded.

²See p. 277 *et seq.*

that the business of the agency should at the outset be strictly confined to the buying and selling of exchange and of bullion, "until you have attained a knowledge of the standing and character of the people with whom you have to transact business." Mr. Walker was further warned that "the laws of the States are too generally framed for the benefit of debtors," and that the grain trade especially was at that time very depressed, and those who were engaged in it were losing much money.

To secure the additional capital required by this extension of the bank into a new field and by the rapid extension of the business of the branches already opened, recourse was had both to the shareholders and to depositors. Of the total authorized capital of £2,000,000, only £250,000 had been offered to the public in April, 1862. In October, 1865, the Court decided, in view of the need for further capital, to offer to the existing shareholders a further issue of 12,500 shares, at a premium of £2. Of this issue 9,600 shares were subscribed, and a first call of £5 paid, in addition to the premium, making the total paid-up capital £298,000.¹ The amount derived from the premium was added to the reserve fund. In April, 1864, a resolution of the Court directed that, since the opening of the San Francisco agency would require an increase of funds, deposits should hereafter be received at the London office for fixed periods of not less than a twelve-month. Later minutes record arrangements such as that "the Home and Colonial Assurance is to receive six per cent. interest on a deposit of £10,000 if left for twelve months, and that on any portion withdrawn before that time, after three months' notice, five per cent. is to be paid." Mr. Robert Gillespie, the chairman of the bank after the death of Mr. Mackean in 1876, held very strong views as to the inadvisability of accepting any large amount of special deposits attracted by high rates of interest, and in deference to his views the amount of these deposits at London was kept

¹See footnote on p. 256.

strictly limited. They do not appear, at any time during the early years of the bank, to have reached large figures, and in January, 1889, were limited to £150,000. This amount was gradually increased during the next few years as circumstances seemed to warrant, until in 1892 the sum of £600,000 was sanctioned. This seems to have been the highest limit authorized. The soundness of the views held on this subject by the chairman is unquestionable. It was not to be expected that the field of operations of the bank in North America would provide opportunities for lending safely any large sum of money in addition to the funds derived from local sources, and at this stage of development of the country there were no exports of sufficient amount or value to provide the means for returning such moneys to London should the demand for them arise. The result of neglecting such sound principles of banking as these may be seen in the difficulties experienced by the Australian banks in 1893, which were largely due to this cause. It was not until 1875 that the deposits of the Bank of British Columbia, both in London and abroad, including current accounts, interest-bearing deposits and certificates, first equalled the amount of the paid-up capital, and this level was sustained at that time for a short period only. Only after 1880 did the deposits permanently exceed the capital.

The San Francisco agency was opened in August, 1864, under the management, as already mentioned, of Mr. James D. Walker, who gave up charge of the Victoria office, and in September was appointed inspector for the colonies with headquarters at San Francisco. Mr. William H. Tillinghast, a former treasurer of the city and county of San Francisco, was appointed cashier, and shortly afterwards assistant manager, and the rest of the staff were drawn from British Columbia or from London.

Mr. Walter Young, to whom we have already referred in connection with the Cariboo,¹ was present at the opening of

¹See p. 279.

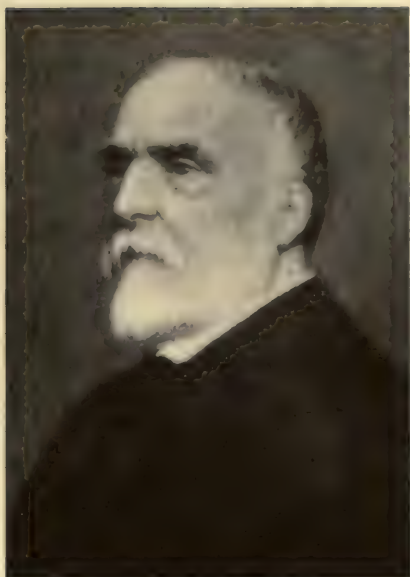
the branch of which he later became assistant manager. "On arriving at San Francisco in 1864," writes Mr. Young, "after about a forty day trip from England by way of the Isthmus of Panama, I called upon Messrs. Falkner, Bell and Company, one of the most prominent English firms, who were acting as agents for the Bank of British Columbia. I also met Mr. James D. Walker, formerly manager of the bank at Victoria, who was in San Francisco making, or trying to make, arrangements to open a branch there. As it was in the time of the Civil War, everything British was at a very low ebb. Aside from that, branches of foreign institutions were not looked upon with favour. Some of the newspapers classed British firms all the time as "wild-cat" concerns, so you can imagine that we were not starting on velvet. In order to commence business, it was necessary to obtain authority from the Secretary of State at Sacramento, and to comply with all the regulations as to the conduct of the bank in general. It was somewhat of an endless job, and you had to have a 'pull' at Sacramento. Some of the forms stated that signatures of the president and secretary were needed thereto. Those which were returned after being executed in England bore the signatures of the 'chairman' and the secretary. The Sacramento officials asked, 'What in — is a chairman?' This caused serious delay, and the form had to be sent back to London to be corrected.

"We had secured a temporary office on California Street, nearly opposite to the Merchants' Exchange as it now stands [1917], though its site was then occupied by Finegan's livery stable. Next to our office was a florist's store; with the shrubs on the sidewalk it was difficult to know which was the bank and which the florist's stand. On the east was the Tehama House, a well-known second-class hotel; on the west some corrugated iron buildings, and directly opposite were Grant and Sutherland, agents for the Bank of British North America.

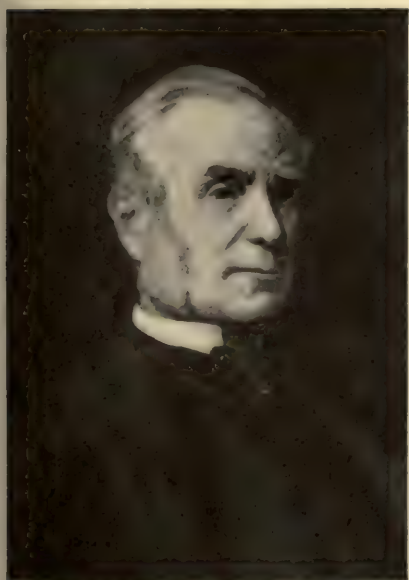
"Notwithstanding the conditions then existing in what is



MARTIN RIDLEY SMITH
Director, Bank of British Columbia, 1862-1873.



WILLIAM CURTIS WARD
Superintendent and Director, 1897-1901.



**THE RIGHT HON. SIR JOHN ROSE, BART.,
G.C.M.G.**
Director, 1873 until his death in 1888.



**THE RIGHT HON. SIR CHARLES TUPPER,
BART., G.C.M.G., C.B.**
Director, 1889-1896, when he became Prime
Minister of Canada.

now the financial centre of the city, you must not run away with the idea that things were flat. On the contrary everything was lively, and as the Nevada and California mines were in full swing, there was extreme excitement. In 1864 we had no telegraphs, and the railroad was not completed. Steamers via the Isthmus of Panama arrived and departed twice a month; the day of their departure was called 'steamer day,' and all business transactions centred on that day. For instance, goods sold on thirty days' time meant on the steamer day next after the expiration of thirty days. This custom was in vogue for a number of years after the railroad was opened and the steamers had ceased to count as regards mails.

"Notwithstanding that the bank had an office in San Francisco, they had not secured much business, so my services were not needed. I was ordered to proceed to Victoria, the steamer going by Portland, Oregon, and after a few months at Victoria I went on to Quesnelle."

The initial difficulties which Mr. Young has pictured were soon overcome. Mr. Walker's shrewdness and Mr. Tillinghast's knowledge of local conditions obtained for the bank an important share of the desirable banking business of the city. Some of the letters which have been preserved throw an interesting light on the conditions of these early years and the banking transactions of the times. The Victoria manager writes to London in November, 1863: "I have written Messrs. Falkner, Bell and Company to purchase on our behalf, and remit to you for our credit, bills amounting to £15,000, if they can be bought at from 485 to 490, which former rate ruled in San Francisco on the date of our last advices, owing to the following exceptional cause: the agents of Messrs. Rothschild have been making large shipments of United States gold coin to Panama, supposed to be for the purpose of paying the French troops in Mexico. This demand for coin has put a large amount of sterling exchange in the market, hence the low rates." Again in August, 1865,

Mr. Walker writes from San Francisco: "As soon as the duties are lowered, which must come, the import of foreign goods must increase and so will the volume of sterling exchange. At the same time the great exchange business must be between here and New York. The overland route is gradually getting cleared of Indians, and the communication must gradually attain to quiet regularity and increase of speed as the lines of railroad on each side of the plains approach each other." In 1866, two years after the opening of the branch, Mr. Walker retired, and Mr. Tillinghast succeeded to the managership.

Ninety miles above New Westminster, on the Fraser, lay the town and Hudson's Bay Company's fort of Yale. It was the head of river navigation. Above it was the lower or Little Canyon, where the Fraser had forced its tumultuous way through a cleft in the Cascade Range. In the days when the gold of the lower Fraser was the chief aim of the miners, Yale had been a lively town, providing means for rapid transit of dust from river bars to tavern bars. Now its mining glories were fading, but it was still an important forwarding centre. It was at Yale that the famous Cariboo road began. Along the Fraser from Yale to Lytton, up the Thompson to Ashcroft and thence north to Barkerville, narrow and precarious Indian trails had been made into an enduring and substantial road, much of which still remains as one of the world's great feats of engineering, an evidence alike of the courage of Governor Douglas, the co-operative spirit of the miners, and the skill of the Royal Engineers.

A branch of the bank was opened at Yale towards the close of 1864. As we have indicated, the town had already passed its zenith, and business was limited. After being operated at a loss for three years, there being no prospect of improvement, the branch was closed early in 1867. The activities of the bank here and at the other Fraser river agencies proved of more convenience to its customers than of profit to itself. A loose system grew up of permitting merchants

who were shipping goods up country to have advances at each point. When a shipment arrived at New Westminster the branch there paid the freight and duty. At Yale the branch paid the river freight. At Quesnelle, and again at Barkerville, the freight by mule or bull team, amounting to a good round sum, was paid by the branch. At each point the amount was usually debited to an overdrawn account. The system was discontinued when its looseness was recognized, but not before heavy losses had been incurred. In one case, where the bank was compelled to bring suit for recovery, the counsel for the bank, in the course of the trial, remarked to the defendant: "You appear to have conducted your business in a very loose manner, Mr. So-and-So;" to which he rejoined, "It was the bank that conducted its business in a loose manner to let me get so much ahead of it."

With the opening of the four Fraser river branches—New Westminster, Cariboo, Quesnelle and Yale—the expansion of the bank in British Columbia itself came to an end for the time. There was as yet no other centre in either colony with sufficient business in sight to warrant opening new branches, though late in 1864 there had been some discussion as to opening in the Kootenay country, where further gold discoveries were reported. The opportunities in British Columbia had not grown as rapidly as had been anticipated.

In casting about for new territory to occupy, the Court of Directors considered both Mexico and the Sandwich Islands¹ as possible fields. In Mexico, where Maximilian of Austria had lately been given the dubious honour of a throne supported on French bayonets, there seemed some possibility of order and rapid economic development under an autocratic regime. However, autocracy soon gave way to anarchy and the directors decided against the Mexican proposal. The Sandwich Islands offered a more tempting opportunity. The trade of the islands was growing rapidly, and there was little

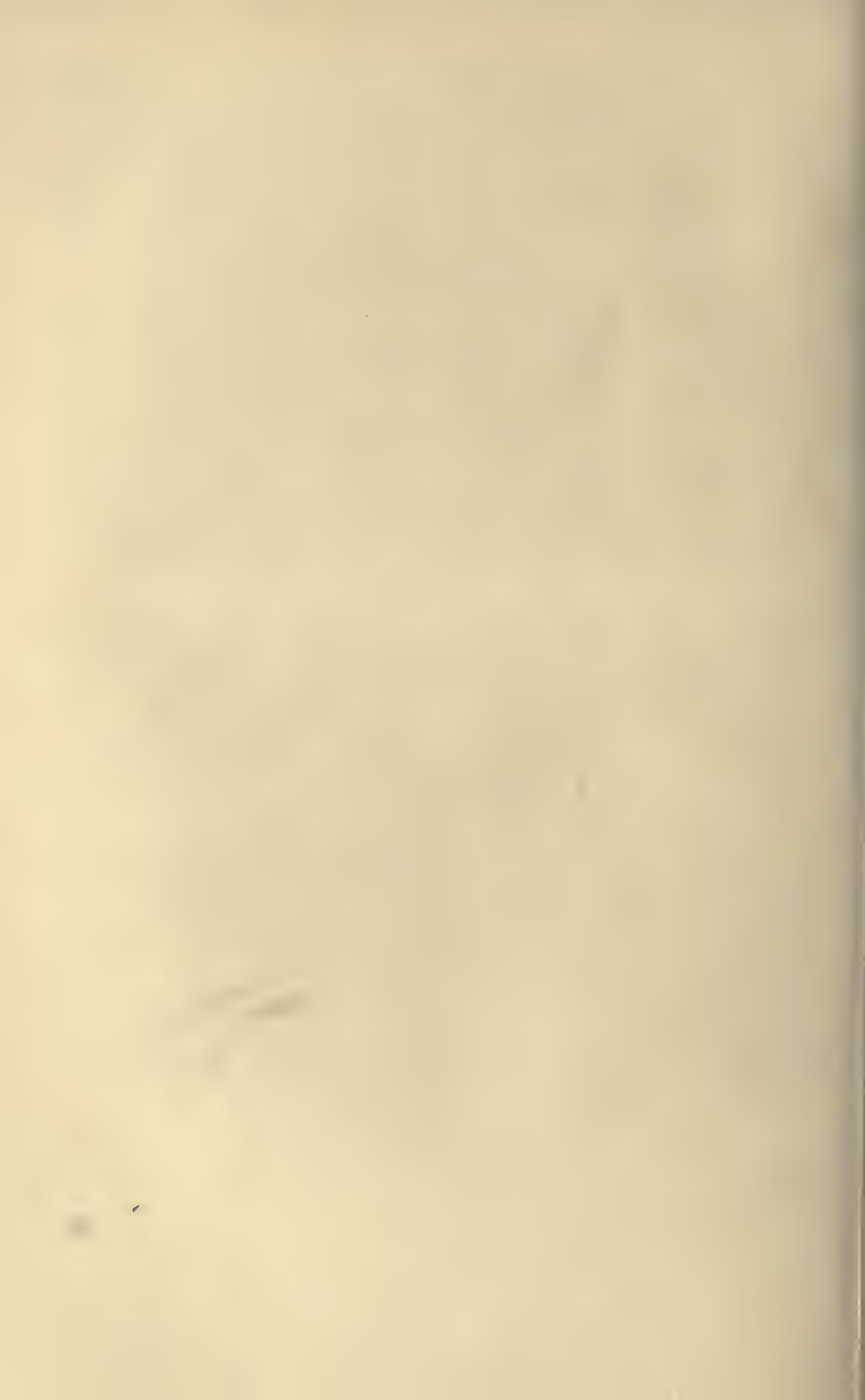
¹The Hawaiian Islands, officially designated since their annexation to the United States as the "Territory of Hawaii."

banking accommodation. In the middle "sixties," and again in the late "seventies," when free trade with the United States had brought new prosperity to Hawaii, the possibility of establishing a branch there was repeatedly discussed. In the latter period, the Hawaiian Minister of Finance, the Hon. A. P. Carter, urged the bank to start a branch in Honolulu, and Messrs. Welch and Company, important customers of the bank in San Francisco, who were largely interested in the sugar industry in the islands, warmly endorsed the recommendation. More than once it had almost been decided to take action, when some legal or staff difficulty or alternative opportunity prevented this. So far as the Sandwich Islands were concerned, the matter was finally settled by an opinion given by the bank's solicitors that the charter did not permit operations in the Sandwich Islands. In both cases it was felt that the distance of these countries, both from the head office in London and from its field of operations in the colonies, rendered effective supervision and control very difficult, and every year of additional experience rendered the necessity for such control more obvious to the directors.

If the bank was to find permanent employment for its capital, and make the most of its London facilities, it would be necessary to look elsewhere on the Pacific coast. At the beginning of 1865 it was decided to open at Portland, Oregon, although some months elapsed before the branch was actually ready for business. Oregon was then midway between British Columbia and California in its development, deriving its wealth mainly from the salmon of the Columbia, the pine of its forests, and the wheat and flocks of its rich valleys. The State constitution prohibited banks of issue, and the legislature was forbidden to incorporate any bank by special Act, but under a general law corporations might be formed to do a banking business, and private banks might operate freely. The only banking house in Portland was the firm of Ladd and Tilton, who had begun a banking business in 1859 over their grocery store. They were doing a good business,



NOTES OF THE BANK OF BRITISH COLUMBIA
(See Appendix XII.)



but their limited capital prevented them from undertaking any large transactions. The First National Bank of Portland was not organized until 1865, two years after the passing of the federal law establishing the national banking system; it had a capital of \$100,000, of which only half was paid up, and mercantile deposits of about \$40,000. When, therefore, the Bank of British Columbia opened a branch in Portland, in charge of Mr. Edwin Russell, formerly at Cariboo, it found little difficulty in establishing itself on a firm footing.

About this time an abortive attempt was made by the inspector to secure a change in the bank's title. After the opening of the San Francisco office, and his removal to that city, the importance of the colonial field diminished very much in his eyes. He desired to build the bank into a great exchange institution with its headquarters in San Francisco. Possibly his residence there had begun to affect his loyalty to all things British, for in some of his letters he speaks of the status of British Columbia as a British colony as being a drawback to its advancement. At all events he felt that no dignity or lustre was derived by the bank in San Francisco from its connection with the struggling infant colonies of the Pacific coast, and he wrote to the Court strongly advocating a change of name, and suggesting "British Bank of the Pacific" as a better sounding title. No notice of this proposal seems to have been taken and it quietly dropped out of sight.

We may now review the position of the bank in British Columbia, and especially at Victoria, where a large business had been built up, although on an unsound footing. In the early years the bank had shared in the optimism and prosperity of the whole community. Now it was to share in the depression and the losses which followed the ending of the second gold rush. Expansion had been the order of the day, and the local point of view was shared by the manager, Mr. Lang, who was without previous experience of the ups and downs of such a newly-established and speculative community. Repeated warnings and expostulations came from the Court and

from the individual directors who were most closely in touch with the operations of the bank. He was instructed to reduce the volume of his advances, especially to certain large customers in whom he appears to have had every confidence, although this was not shared by his head office. Early in 1865 he himself reported a fall in the value of real estate at Victoria, and a few months later he admitted that the two colonies had gone through a severe financial ordeal during the winter of 1864-65 and the following spring, and that they were still suffering from the evils attendant on a backward spring and summer. Yet none of these things daunted his spirit of optimism. Although the finances of the bank had worked heavily for some time past, and it was forced to borrow large sums in London to meet the drawings of the Victoria branch, the amounts advanced to his customers were steadily and rapidly increasing. He writes to his head office in reply to the instructions given him: "In a field such as ours, during such a season as the last six months, there must either be considerable latitude allowed, or the business would pass from us; or—a worse alternative still—valuable constituents be sacrificed. . . . The only possible policy seemed to be to assist so far as was safe good constituents, and steer clear of outside business; and as soon as money became easier, to set about a steady reduction of indebtedness in those quarters where such was desirable. Hence my advances have been continuous and considerable hitherto. I would further remark that, considering this to be the first and natural field for the employment of the bank's original capital, my object has been to gain as firm a hold of it as was possible, and encourage the mercantile communities in both this island and British Columbia to regard the bank as their peculiar institution. . . . It is, I need scarcely add, very hard to reduce facilities given to parties in whom confidence may be placed, and sharp restrictions would in most cases shake the prestige and injure the prospects of the bank." And so the customers of the bank leaned upon it more and more heavily, paying off outside creditors

who were pressing for payment, until their ability to carry on business became entirely dependent upon the continued generosity of the bank. The rich placer mines of the Cariboo were already approaching exhaustion, and with the decline of the mines there came a collapse of the trade, and particularly of the speculation, which had been founded upon the Cariboo discoveries. The large advances at Victoria, which had reached a total of over \$1,000,000—out of all proportion as compared with the resources of the bank and with the actual wealth of the community at Victoria at this period—were found to rest largely upon real estate, or to consist of unsecured overdrafts granted to merchants with limited capital. The latter, imbued with the adventurous spirit of a community in which everything is expected to turn into gold overnight, had imported large over-shipments of goods, paid for them by borrowing from the bank, and shipped them up country. With the decrease in population due to the lessening production of the mines, large quantities of these goods remained on hand and became unsaleable. They were at the same time the only security available for the repayment of the bank's loans. It is only fair to point out that Mr. Lang was not the originator of the system of overdrafts resting upon unrestricted shipments of imported goods, which now brought so much trouble and loss upon the bank. His predecessor, Mr. Walker, who had been promoted to be inspector, had begun the practice, and subsequently allowed it to be introduced into the business of the San Francisco and Portland branches, defending it against the reiterated strictures of the Court of Directors as the universal practice of banks on the Pacific Coast, and the only method by which business could be transacted under the conditions prevailing there. He insisted that it was the abuse of the practice, and not its unsoundness, which led to such losses.

The question was one which had occupied the attention of the directors in London on many occasions, and had caused them much anxiety. In June, 1865, we find the

Court directing the London manager to bring the subject of overdrawn accounts prominently before Mr. Walker again, with peremptory instructions to have the overdrafts reduced. Six months later a minute records that "the Court still adhere to their previously expressed opinion that overdrawn accounts are wrong in principle, and they therefore hope that such accounts will be the exception and not the rule. They suggest that in place of overdrawn accounts, promissory notes, with ample collateral security, be discounted or advanced upon in the form of loans, such notes not having more than three months to run. The Court further suggest that one per cent. be charged on thirty day bills, with increasing rates for longer periods, and that on all renewals one-half per cent. a month more be charged than if they were original bills, the rate on overdrawn accounts to be not less than one and one-half per cent. a month." Finally in March, 1866, the Committee on Accounts drew the attention of the Court to the vicious system of overdrawn accounts, which not only persisted in the colonial branches, but threatened to become the principal feature of the business of the San Francisco and Portland branches. The securities pledged as collateral were also reported in many cases, particularly in San Francisco, to be inadequate in amount and not immediately available. The following reasonable and prudent resolutions drawn up by the deputy chairman, Mr. Robert Gillespie, were accordingly adopted by the Court and forwarded to the inspector for his guidance:

"1. That the system of overdrawn accounts be discontinued, and for the future prohibited.

2. That the inspector be instructed to carry out forthwith the foregoing resolution, and to take such immediate steps as may be necessary to reduce and call in the overdrawn accounts now outstanding.

3. That loans be made only to parties of undoubted character and position, and for legitimate commercial purposes; to be always accompanied by promissory notes and available collateral security, limiting the period of the loans to three

months, and that no loan be made to limited liability companies, or to joint stock companies, on the security of their own shares.

4. That landed property shall not be taken as security, excepting in cases of collateral to secure a debt previously incurred, and then with a margin of fifty per cent.

5. That no loan shall exceed fifty thousand dollars to any one party, and that this maximum amount be advanced only to firms of first-class commercial standing.

6. That a margin of not less than twenty-five per cent. be always required on the security, over and above the amount of loan advanced."

In the meantime the situation at Victoria had thoroughly alarmed the Court. Repeated warnings, and finally peremptory instructions, seemed to go unheeded, as a speedy reduction of the advances which had already been made had, in the state of depression prevalent in the colonies, become impossible, and the inspector was ordered to take charge of the branch towards the close of 1865. After a few months of investigation he placed the losses incurred at \$100,000 to \$130,000, an absurd under-estimate judged by the sums subsequently written off.¹ The developments of 1866 brought little encouragement to those in charge of the affairs of the bank. No signs of returning prosperity appeared in the colonies; indeed, the aspect of affairs seemed to go from bad to worse. Mr. Lang retired from the service of the bank, and when the full realization of the state of affairs broke on the directors their confidence in Mr. Walker's administration was severely shaken. Upon receiving advice of the resolutions passed in March, 1866, regarding the abolition of overdrafts, he at once wrote persisting in his advocacy of the continuation of the system, and without waiting for permission he sailed for London to press his views upon the Court. It had been the intention to appoint him as general manager at London as soon as the affairs of the bank in the colonies could be put in such

¹See p. 315.

shape as would warrant his handing them over to other control, and for a short time he assumed the duties of Mr. Ransom, the London manager, who retired temporarily on account of ill-health. However, the divergence between the views held by Mr. Walker and by the Court was too great, and a few months later he left the service of the bank to become a partner in the firm of Falkner, Bell and Company, San Francisco.

The position of the bank at this juncture was aptly described by the deputy-chairman, Mr. Gillespie, in a letter written to Mr. Walker in April, 1866. He says: "At present nearly *the whole of our capital* is locked up in overdrawn accounts, thereby placing us in the position that in the event of panic, either political or commercial, we are bound hand and foot and could not help ourselves." The working-out of this position was a slow and painful process, but the lesson had been learned, and for a dozen years the British Columbia branches pursued a very conservative policy. Profits were not large, but they grew steadily throughout the seventies and no serious new losses developed.

In 1864 the bank had earned net profits of nearly £30,000.¹ Dividends were declared at the rate of eight per cent. per annum for the first half of the year and ten per cent. for the second, and £11,000 was set aside for the reserve. As a result of reckless expansion the next year brought still larger apparent profits, further additions to reserve, and a dividend of ten with a bonus of one and a quarter per cent. Then the tide turned. In the second half of 1866 the dividend was cut to six per cent., and in the following six months was passed altogether. Much dissatisfaction was expressed by shareholders, at the general meeting in October, 1866, over the failure of the management to realize the drift of affairs, as evidenced by the declaration of an increased dividend the year before. At later meetings, one or

¹ In September, 1863, the bank had paid its first dividend at the rate of five per cent. per annum for the nine months ending June 30, 1863.

two dissatisfied shareholders urged that the bank should be wound up, but the great majority had faith and patience, and in due time their faith was rewarded. In 1867 a four per cent. dividend was paid in the second half of the year, but nothing in the first half. By 1868 the reserve had been wholly wiped out by bad debts, and it was clear that still further losses would have to be faced. In that year a dividend of two and a half per cent. was paid in the second six months. Next year seven per cent. was paid, and this was increased to ten per cent. in 1870, ten per cent. plus a bonus of one per cent. in 1871, and twelve per cent. in 1872. The losses eventually reached £80,000, and it was not until 1871 that any reserve was again set aside.

The two United States branches had justified their existence from the beginning. By 1866 San Francisco and Portland together earned as much profit as Victoria and its subordinate British Columbia branches, while in 1867 Portland by itself earned more than Victoria, and San Francisco earned more than twice as much as Portland. This showing was due as much to a striking falling off in the British Columbia profits as to the increase in those of the United States branches. Quesnelle was closed in the autumn of 1866,¹ and it has been noted that in 1867 the New Westminster and Yale branches were also closed. With the union of the two colonies in 1866, and the removal of the government and its retinue to Victoria when the island city was chosen as the new capital, there was little business to warrant keeping open the New Westminster branch, which cost nearly £1,000 a year to maintain; while at Yale, once the first Cariboo excitement was over, the population dwindled to a handful.

The suddenness of the crisis in 1866 had brought home the essential difficulty of controlling, from a distance of six or eight thousand miles, operations in which a knowledge of local business conditions, and of the personal factors concerned, counted so greatly as in banking. It was a difficulty which

¹Fifty-four years later (May, 1920), The Canadian Bank of Commerce opened a branch at this point.

the directors recognized and endeavoured to meet to the best of their ability. The first step taken to ensure that the business of the bank would be carried on in accordance with the wishes and standards of the London directors, was to select the staff, particularly those chosen for responsible positions at the outset, from young men trained in English or Scottish banking methods. The minutes of the directors' meetings reflect the care taken in sifting the testimonials of men applying even for junior posts, and in holding personal interviews with them. To the end the bank was manned almost wholly from the British Isles. For the most part, the judgment of the management was justified by the able and faithful service of the staff. There were, of course, some black sheep among them, men who could not withstand the temptations to conviviality or speculation rife in a new land, but they were few.

The directors also endeavoured to keep a close check on their officers overseas. General rules for the guidance of their managers were laid down from time to time, and specific cases were frequently referred to London for decision. The minutes show the Court constantly dealing with local difficulties, ranging from the momentous question whether the bank was to pay for the carpet in the part of the premises assigned as the manager's residence as well as in the office, to the problem of how much personal credit to allow a provincial governor or a smelting company. It was no easy task to steer between Scylla and Charybdis, neither letting a too sanguine or careless manager pile up doubtful commitments unchecked, nor giving the man on the spot so little discretion that opportunities would pass before they could be seized, or would be discarded simply because the ways of San Francisco or of Victoria were not the ways of London. As was inevitable, the supervision was most rigid when things were not going well. When profits were piling up, the directors were not prone to inquire as closely into methods.

It was the constant endeavour of those in control to preserve the old traditions, and to mould the individual to the



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time-honoured type. Innovations were not encouraged. The story is related that, on the arrival at the London office of the first typewritten letter from this side of the Atlantic, a reply was promptly sent to the manager requesting him to intimate to the clerk who had typed the letter that if he could not write a legible hand he had better resign. This is matched by an equally curious story told of one of the branches in the United States. In an emergency this branch took on its staff an American youth who had had some training in a local bank. This young man, astonished at the amount of duplication and triplication of entries under the system of his new employers, finally ventured to propose to the manager a plan for an extensive curtailment of routine. Having no authority to make such changes, the manager suggested that the youth lay his proposals before the inspector on his next visit. In due course the opportunity came. The inspector generously granted the interview and received the youth with an encouraging smile. As the tale was unfolded, however, and it dawned on the inspector that the perfection of methods sanctified by age was being aspersed by a mere lad, the smile faded, and its place was rapidly taken by an expression of apoplectic choler. Before the full enormity of the youth's effrontery had been revealed, the inspector summarily terminated the interview by storming: "Young man, do you know that the work has been done in its present way for *over thirty years!*"

It was not enough to choose good men and to set up standards to guide them. Some supervision on the spot was necessary for the best of officials. Local inspection and control were provided, in forms varying with the scope and interests of the bank. In 1864, when Mr. Walker removed to San Francisco and opened that branch, he had been appointed inspector for the colonies. The first inspector to give his whole time to the work was Mr. Alexander Watson, formerly in the Bank of British North America, and later treasurer of the colony of Vancouver's Island. He was appointed in October, 1867, as inspector and joint manager at Victoria, but held his position

only a little more than two years, as owing to his eccentricities it was found necessary to dispense with his services in March, 1870. His post was not filled immediately. In 1874 Mr. Hugh Hughes of London was appointed a temporary inspector and made several prolonged and thorough visits of inspection to all the branches, prior to his appointment in 1876 as general manager. In 1877 Mr. Frederick Townsend, then manager at Portland, was made acting inspector as well as joint manager at San Francisco. From 1887 to 1897 Mr. Townsend gave his whole time to the duties of inspection. From the commencement the Victoria manager had always supervised the business of all the branches in the colonies; and on January 1, 1893, this supervision was formally recognized by the appointment, as superintendent of branches in British Columbia,¹ of Mr. W. C. Ward, manager at Victoria, who had entered the bank's service early in 1864. Mr. George Gillespie succeeded him as Victoria manager a few months later. On Mr. Ward's removal to London in 1897, Mr. Gillespie was appointed inspector and superintendent of British Columbia branches. Mr. Townsend retired at this time.

In London a manager was in charge, who tended to become a local manager or a general manager, irrespective of his title, according to the balance of personality. Mr. Ransom, appointed London manager in 1862, was made general manager in 1867 on Mr. Walker's leaving the bank. His salary in 1870, however, was only £700 as against \$10,000, later increased, paid to the San Francisco manager. Mr. Hugh Hughes, who succeeded Mr. Ransom on the retirement of the latter in 1876 to become a director, was general manager in fact, exercising a wide measure of control. On his death in December, 1893, it was decided to appoint Mr. S. Cameron

¹Strangely enough no note of his appointment as superintendent of branches in British Columbia appears in the staff record or Court minute books of the bank. The date of the appointment has been obtained from the head office correspondence of the Victoria branch. The first mention of a Superintendent of British Columbia branches appears in the minutes of September 6, 1893, and the reference is constant thereafter.

Alexander, who had served in the San Francisco branch, secretary to the bank and manager of the London office. In November, 1896, Mr. W. C. Ward was appointed superintendent of the bank, with headquarters in London, and a seat, *ex officio*, at the Court of Directors.

In the last resort, the directors and shareholders were responsible for the due conduct of the bank's affairs. Two or three of the early shareholders took the responsibility much more to heart than is usual; at every meeting for many years, Mr. Murrell and sometimes Mr. Allender insisted on putting the directors through their paces. Mr. Mackean, as chairman until his death in May, 1876, and Robert Gillespie, Jun., (who in June, 1891, became Sir Robert Gillespie) as chairman from the death of Mr. Mackean until the amalgamation with The Canadian Bank of Commerce, were particularly assiduous in their duties, but all the directors kept closely in touch with the bank's affairs. The original ten directors were gradually reduced to five by 1871. Thereafter changes were few. At the general meeting held in April, 1866, Mr. James Robertson, of the firm of Messrs. Small and Company, London, was elected a director to replace Mr. J. Bonar, who had died. Sir John Rose, Bart., formerly Finance Minister of Canada, and a member of the banking firm of Morton, Rose and Company of New York and London, joined the Court in 1873, taking the place of Martin Ridley Smith, who disapproved of the methods of W. C. Ralston, cashier of the Bank of California, an important customer and large borrower at the San Francisco branch.¹ Sir John Rose died in 1888, and Sir Charles Tupper, Bart., then High Commissioner for Canada in London, was elected at the general meeting in February, 1889, and held the post of director until he became Prime Minister of Canada in 1896. Mr. H. D. Harrison, a partner in Falkner, Caton and Company (successors to Falkner, Bell and Company, the first San Francisco agents of the bank), had been elected a director in 1871, but retired in 1889 on returning to California, and was

¹See p. 323.

succeeded by Mr. T. G. Gillespie. New blood was introduced by the election in 1893 of Mr. Guy Oswald Smith, of Smith, Payne and Smiths, and in 1895 of Mr. Henry J. Gardiner, who had resided for a time in Victoria in early years, and later became a London merchant. Mr. Ransom and Mr. Ward, the former on retiring from the position of general manager in 1876, and the latter on being appointed superintendent of the bank in 1896, were also made directors. Mr. Ransom died in 1891 and was succeeded as a director by Mr. Constantine Benson.

The question of the directors' fees required consideration from time to time. The articles provided for an annual division of £3,000, but for the first twenty years they accepted only a half or a third of this sum. With increasing prosperity the amount was gradually increased to £3,000 in 1889. A minute in 1873 provides for the distribution of the amount allotted, stipulating that the share of any director not present at a meeting within the ten minutes' grace allowed, was to be divided among his present and punctual brethren.

It was never the practice of the Bank of British Columbia to carry on a general banking business at its London office. Although nominally the head office of the bank, the transactions in London partook more of the character of those of an agency. Surplus monies were invested from time to time in short-date loans or stocks and bonds, and letters of credit and drafts were sold on its branches. In this way it avoided competing for local business with the London banks. As the banker of the Government of British Columbia it assisted materially in providing for the financial requirements of the colony, and subsequently of the province. In the earlier days of its establishment the bank frequently purchased issues of debentures made by the colony, reselling them on the London market as buyers could be found. In later years the public issues of securities made by the Government were brought out by the bank, which was thus identified with the financing of the province throughout its career. The first premises



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occupied by the bank in London were at No. 80 Lombard Street, from which it removed about April, 1866, to No. 5 East India Avenue. In March, 1890, having outgrown the space at its disposal, the bank moved again to No. 60 Lombard Street,¹ which was leased from Lloyds Bank Limited. This office continued in use until the amalgamation with The Canadian Bank of Commerce, when it became the London office of the latter bank.

After the crisis of 1866 the career of the bank in British Columbia has little of special interest for some years. Like the province at large, the bank had settled down to slow and sober development. The entrance of British Columbia into confederation in 1871 brought little immediate economic change, other than a lightening of the Government's financial burden, since communication with the east was still in the stage of survey and debate. The population of the province was growing at the rate of somewhat less than fifteen hundred a year. Gold-mining, still in the placer stage, had its ups and downs. Fresh discoveries in the Cariboo, in Omenica, and in the Cassiar country indicated the steady trend of the prospector towards the Yukon. Coal was mined increasingly at Nanaimo, the output reaching two hundred thousand tons by the end of the seventies. Farming was still in its infancy, lumbering a purely local affair, and salmon-canning was the only fishing industry as yet well developed.

It was the United States branches which contributed, in the late sixties and throughout the seventies, the chief developments in the bank's activities. San Francisco in this period was the centre of interest, yielding the main profit, occasioning the principal losses, and providing whatever there was of colour in the bank's experiences. Portland followed San Francisco's example, on a more modest scale. Not long after it opened in 1864, the San Francisco office was moved from the temporary quarters on California Street to more substantial premises at the corner of California and Sansome Streets. This property,

¹See plate 39, facing p. 300.

which was purchased for \$50,000, covered part of the site on which, prior to the earthquake and fire of 1906, stood the building of the Mutual Life Insurance Company of New York, in which The Canadian Bank of Commerce had its office at the time of that terrible disaster. Later, this accommodation proved inadequate for the growing business of the Bank of British Columbia, and the property was sold to the Mutual Life Insurance Company for \$100,000. The Bank of British Columbia then leased a building on the corner of Sansome and Bush Streets, more capacious and nearer the financial centre. Mr. Tillinghast acted as manager until 1878. In January, 1878, Mr. F. Townsend was made joint manager, and a year later sole manager, continuing his duties as acting inspector.

For nearly fifteen years after the establishment of the Bank of British Columbia in San Francisco, California enjoyed continuous and widespread prosperity. So far as California itself was concerned, the age of wheat was succeeding the age of gold, but in Nevada, which was equally tributary to San Francisco, the mining fever was at its height. Those were the days of the working of the great Comstock lode, which yielded \$300,000,000 in the twenty years following its discovery in 1859. Particularly in 1874, when the "Bonanzas" were developed by James C. Flood, W. S. O'Brien, John W. Mackay and James G. Fair, excitement passed all bounds. San Francisco passed through a period of rapid growth and of speculative activity which quite overshadowed the days of "forty-nine."

In this prosperity the bank's San Francisco branch had its full share. The Bank of California and, after 1875, the Nevada Bank, established by the "Bonanza kings," were the only institutions which clearly outdistanced it. A wide and, on the whole, a sound mercantile connection was built up, and operations in exchange were a particularly important feature of the business of the branch. The bank's London connection and the familiarity of its officers with this department of banking gave it a very large share of the exchange operations with London and New York.

In an era of such rapid expansion, prosperity had its seamy side—unbalanced optimism and rash speculation in the affairs of individuals, and unheeded corruption and blind popular discontent in public affairs. The bank had its full share of difficulties from both these causes.

In common with several other banks, the Bank of British Columbia was seriously involved in the speculations of William C. Ralston, the millionaire cashier and active manager of the Bank of California. This bank had been founded by D. O. Mills in 1864, at the suggestion of Mr. Ralston, and soon attained a foremost place. Mr. Ralston himself had an interest in several large commercial enterprises, the Selby Smelting Works, the Mission and Pacific Woollen Mills, the West Coast Furniture Company, and the Kimball Manufacturing Company. Advances were made by the Bank of British Columbia, secured by shares of these companies, and later by shares of the Bank of California. The business was a profitable one, all the loans being made in sterling bills at sixty days sight, yielding a clear profit of one per cent. on the exchange; interest at twelve per cent. per annum was charged. Even so, some question was raised among the London directors as to the soundness of Mr. Ralston's business methods, and a difference of opinion over this matter led to the decision of Mr. Martin Ridley Smith to retire from the Court of Directors in 1873. In August, 1875, rumours began to spread in San Francisco prejudicial to Mr. Ralston's credit. A run on the Bank of California compelled it to close its doors, and Mr. Ralston committed suicide. A panic followed which paralysed the business of the whole Pacific coast for weeks. Two other banks suspended, and the savings banks enforced the rule requiring thirty days' notice of the withdrawal of deposits. Gold coin was not to be had even in exchange for gold bars or gilt-edged securities, and every bank was hard pressed in the effort to secure its own safety. The Bank of British Columbia held Ralston's notes for about \$200,000, secured by shares of the suspended Bank of California. Its position was particularly

uncomfortable, as there had been an illegal overissue of these shares. Fortunately the Bank of California was soon reorganized on a sound basis, and all Ralston's obligations were liquidated by his friend, William Sharon, to whom he had, the day before his death, conveyed all his property.

The bank was less fortunate in certain other transactions which came to light three or four years later. Large advances had been made to the North Pacific Coast Railway Company, and to various other concerns. At the time the margin of security was thought to be ample, but when the general depression set in at the close of the seventies, some of these enterprises suffered severely and their securities were seriously depreciated. Investigations carried out in 1878 by Mr. Townsend and a year later by the general manager, Mr. Hugh Hughes, made it only too clear that it was not simply a case of oversanguine judgment. The late manager had committed the bank to certain advances eighteen months before informing the directors, and had made loans to figure-heads for speculative purposes. A special reserve of £35,000, to be created out of future profits, was set aside to provide for the losses. It proved inadequate, and further substantial appropriations were required.

Public as well as private affairs showed clearly the influence of unrestrained speculation. The Bank of British Columbia, as an outside institution, was not as intimately connected with public affairs as other banks, but it could not escape its share of difficulty. The government of city and of state alike had become a byword. The so-called good citizens were too deeply absorbed in their private affairs to give any heed to the business of the community, except when a franchise or a contract was to be sought, and the control of affairs had been resigned to professional politicians, who had the time and the inclination to work the complicated machine of election and administration. The endeavours of predatory capitalists to corrupt and control the government, in order to secure charters or subsidies, were varied by the attempts of predatory



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politicians to blackmail reasonably honest business interests by threatening to introduce hurtful legislation. The banks were particularly open to attack. California had adhered to a gold basis all through the Civil War, when the rest of the Union was on a paper basis. When the rest of the country was debating the resumption of specie payments after the war, California enacted a law known as the Specific Contract Law, sanctioning the making of contracts payable in gold coin; thereafter in addition to promissory notes payable in gold, the banks took from each borrower a contract covering any and all obligations then current. At nearly every session of the legislature a threat was made to repeal this law, thus threatening all creditors with disaster. Then W. C. Ralston would take the matter in hand, and the repealing bill would be withdrawn. How this was accomplished, as an old officer of the bank records, no one ever inquired, but there were always some heavy "lawyers' fees" to be divided *pro rata* among the banks and other financial institutions of the State. As to trying to get at the root of the trouble, that was left to a later and more public-spirited generation.

About 1877, the depression which had prevailed in the east since 1873, reached the Pacific coast, and was intensified by the collapse of the speculation in mining stocks based on the Bonanza finds. Everyone had gambled and everyone was hit. The workmen were hit hardest. Trade was dull, and Chinese labourers stood ready to take what jobs were going, at half the ordinary wages. The unlucky could go no further west; their America was here or nowhere. The luxury indulged in by successful speculators, with their mansions on Nob Hill, and the high-handed policy of the Pacific Railway interests fed the discontent. The time was ripe for a mob leader, and on the Sand Lots Denis Kearney gathered his party, and for a time dominated the city and State. The anti-Chinese campaign of the "Sand Lotters" did not directly concern the banks. Greater alarm was felt as to the very advanced State constitution adopted by popular vote in

1879, which many believed would drive capital away; but time dispelled these fears, and the advance of radical political sentiment in other States soon deprived this constitution of the fearsome reputation it bore in its early days. At the height of the Kearney agitation in 1880, grave fears of riot and loot were entertained by the banks, and a secret meeting was held to adopt measures for the protection of their property. At this meeting detectives disclosed the "fact" that a plot existed to blow up all the banks on California Street. A very large sum was subscribed, the leading banks contributing as much as \$10,000 each, and the fund was placed in the hands of a secret committee to be expended in direct and indirect measures to avert the danger. No report was rendered by the committee and no questions were asked. Some one found fishing in muddy waters profitable.

The work of the Portland branch in this period was profitable but uneventful. The bank had its full share in the financing of all the activities on which the prosperity of Oregon was based. The wool and salmon industries made the chief call on credit in the early years. After 1870, when the first cargo of wheat was loaded for Liverpool, this grain became an important article of export. At this time and for many years afterwards, the Bank of British Columbia controlled almost all the business of making advances against wheat in warehouses, and of purchasing documentary bills drawn against foreign shipments. The other banks did not care to compete, as the business involved a locking-up of funds for which they were not prepared, and, even more than at San Francisco, they lacked facilities for dealing with the sterling bills.

The chief difficulty experienced in these early years came from legal rather than from business complications. In 1873 a firm to which the bank had made advances against wheat in warehouse was declared bankrupt. In the court proceedings, the lawyer for the assignee attacked the bank's standing in court on the ground that the power of attorney required by

law, empowering some one to accept service of writ, was not on record. It had been filed with the county clerk at the proper time, but because of some misconception on his part it had not been copied into the records. The judge in the Bankruptcy Court upheld the objection, and denied the bank's right to appear as a creditor. The decision caused great alarm, as it implied that the bank had no authority to carry on business in the State and that all its transactions were null and void. Fortunately, the customers and the community in general recognized the unfairness of the decision, new notes were willingly given for all existing obligations and the power of attorney was copied into the court records to avoid future trouble. The other creditors in the bankruptcy case, with one exception, joined in a request to the court to allow the bank to rank as a preferred creditor; but the utmost the judge was willing to do was to allow it to rank as an ordinary creditor, a decision which involved a loss of about \$40,000. In a case before the same judge a year later, advantage was taken of a still more absurd technicality. An assignee held that a judgment granted the bank was invalid because it had no dollar mark against it in the docket. True, that of the hundreds of entries in the book during the fourteen years it had been in use, not a single one had a dollar mark against it, and that in the case of the judgment in question a correction in the figures had led to the clerk repeating the full amount in words underneath. The court held that the point was well taken; the judgment was invalid because it had no money signification against it, and it was not possible to tell whether pounds, francs, rupees, or any other kind of money was meant; the written words were no part of the official entry. A few hours later every entry except that of the bank bristled with dollar signs. This specimen of judicial humour, however, cost only about \$3,000.

In the "seventies," the profits earned by the Portland branch, though fluctuating widely, averaged two-thirds of the profits at Victoria and its sub-branches in British Columbia.

The San Francisco profits averaged nearly three times as much as those of Victoria, though during the depression which set in about 1877 they repeatedly fell below the Victoria level. Contrary to the original expectations, the British Columbia branches played a minor role in the bank's affairs in these years, and the expansions southward alone secured a profitable outlet for its capital. On several occasions consideration was given to the opening of branches at other places in Oregon, but for one reason or another none of these plans reached fruition. Thus in November, 1877, the Court authorized the inspector, Mr. F. Townsend, to visit Albany and Astoria, both in Oregon, with a view to opening branches, and in July of the following year Walla Walla is mentioned along with Albany as a place to be visited.

A new era in the bank's fortunes began with the early "eighties." The building of the Canadian Pacific and the Northern Pacific railways, the development of lode-mining in British Columbia, and the rapid growth of agriculture and lumbering in Washington and Oregon, gave a long period of abounding prosperity to the Pacific coast, in which the Bank of British Columbia shared fully. It shared also in the ill-effects of the reckless speculation, and in its aftermath of commercial depression, to such an extent that as the century closed the shareholders questioned the advisability of continuing in business in a land of such rapid fluctuations.

In British Columbia in the "eighties" the dominant note was the building of the Canadian Pacific and the Esquimalt and Nanaimo Railways. The construction of these roads meant the spending of many millions of dollars, the growth of cities new and old, and a fillip to every industry. Their operation afforded new outlets for the products of the province, and developed an important transit trade, though in neither respect did they fulfil the fervent expectations of the home-seekers and fortune-seekers, who poured in during these years, doubling the population in a decade.

Victoria remained the chief earning centre of the bank from 1879 to 1887, and during almost all the years that followed up to the amalgamation in 1900. The substantial success which had marked the business of this branch ever since the collapse in 1866 continued unchecked. Government and private deposits were large, making it unnecessary to utilize the bank's own capital to any great extent in the operations of the branch. Interest had been allowed on term deposits, first at six, then at five, and later at four per cent. In 1891 the bank followed the example of other Canadian institutions and established a savings bank department at this branch, the result of which was a considerable increase in its deposits. Much of the success of this branch was due to the solid character of the business of the community, but much credit was also due to the manager, Mr. W. C. Ward, who was in control from 1867 to 1897. He was succeeded by Mr. George Gillespie, who had joined the bank as acting teller at Victoria in 1878.

The growth of the business at Victoria had some time before made it necessary to seek larger premises. In 1883 land at the corner of Government and Fort Streets was purchased, on which a substantial building was completed two years later, at a cost of \$60,000—a large sum for those days. The old Langley Street premises were sold, and subsequently became the property of the Bank of Montreal, forming part of the site upon which their Victoria building now stands.

Although British Columbia had entered Confederation in 1871 and a general Bank Act had been passed by the Dominion of Canada in the same year, the operations of the Bank of British Columbia were carried on during the first twenty-two years of its existence under the powers conferred by the Royal charter, and the bank was not subject to the general banking law of the Dominion. The original charter expired on May 31, 1883, and was renewed for one year. It was intimated to the shareholders at the general meeting held in March, 1883,

that this had been done in order to give the Government time to consider how the anomalous position of the bank should be dealt with. The Canadian Government was evidently desirous of having the bank made subject to the general banking laws of the country, and its views had great weight with the Imperial Government. Sir John Rose, who had for a short time some years previously been Minister of Finance for Canada, was at this time one of the directors of the bank, and his influence and aid proved very useful in conducting the negotiations with the Canadian Government. Finally, a new charter was granted for a period of ten years, which abrogated the powers and duties of the Imperial Treasury, the Secretary of State for the Colonies, the Board of Trade and the Colonial Governor under the original charter, and rendered the bank subject to any general laws regarding banking or currency in force in the several colonies in which it might be carrying on business. The question of periodical returns was specially mentioned, those called for by the Imperial authorities under the original charter being dispensed with, and the bank being required to make the same returns as other banks in Canada. Accordingly we find the figures of the Bank of British Columbia appearing for the first time in the Canadian monthly banking returns in May, 1885. It is probable that the difficulty of making these returns in the case of a bank with branches so widely scattered as those of the Bank of British Columbia, was one of the reasons which had led the directors to object to being brought under the Canadian Act. At one of the meetings of the Court the question seems to have been discussed and it was ordered that the returns should be made from London. It was an obvious impossibility to wait until the mails from Victoria and San Francisco carrying the statements of the branches for the end of the month reached London, so that the combined figures of the bank might be compiled there, and to mail the result to Ottawa so as to reach the Dominion Government within the period of ten days then allowed by the Bank Act for the purpose. The

difficulty was got over in the special Act passed the following year by the Canadian Parliament (which is referred to below) by designating Victoria as the chief seat of business of the bank in Canada, the chief seat being the place from which the returns were to be made. That there were other difficulties is evident. On March 11, 1884, the minutes of the Court record that "In view of the Dominion Legislature in Canada making the provisions of the banking laws have application in their entirety to this bank, the Court are of opinion that draft amendments be sent out limiting the extension of the Canadian Acts in the following sense:

1st. A general clause making the Canadian legislation applicable in so far only as may be in consonance with the original charter and circumstances of this bank, or as may be practicable under special provisions of its charter.

2nd. Specifically to exempt the bank from making returns oftener than half-yearly.

3rd. To make the headquarters for the redemption of its notes its offices in Victoria."

While the prayer of the Court was not granted *in toto*, a special Act was passed the following year by the Dominion Parliament (48-49 Vict. c. lxxxiii), setting out that it was expedient to declare what laws passed by the Parliament of Canada relating to banks and banking applied to the Bank of British Columbia. This Act prohibited the bank from issuing in Canada notes for a less sum than five dollars or for any sum not being a multiple of five dollars, fixed on Victoria as the chief seat of business of the bank for the purpose of the banking laws, and named the sections of the general banking laws which applied to the Bank of British Columbia. It is not clear why reference was made to the denominations of the notes in this special Act, as the section of the general Act (43 Vict. c. xxii, s. 12, ss. 2), enacting similar restrictions, is mentioned as one of those applying to the Bank of British Columbia. The reason for fixing the chief seat of business at Victoria has already been explained. One section mentioned in the Act as applying to

the bank (43 Vict. c. xiii, s. 4), is interesting as indicating the intention of the Dominion Government to arrange with the bank to act as redemption agent for Dominion Government notes at Victoria. The other sections, speaking broadly, applied to the bank those parts of the general Acts which defined or limited the business and powers of the bank and which called for periodical returns, but on the other hand left to the bank the peculiar clauses of its charter which dealt with the internal management, or such matters as the paying up of capital and the powers of shareholders and directors.

The rise of Vancouver was the most striking development in the history alike of the province and of the bank during the "eighties." On its site until 1884 there slumbered the little village of Granville, a mere clearing in the dense forest. From a nearby saw-mill great four-masters sailed now and then for Australia, and a trail led through the forest to New Westminster. Other touch with the outside world there was practically none. The Canadian Pacific Railway had chosen Port Moody, twelve miles further up Burrard Inlet, as its terminus, and speculation in Port Moody property had been fast and furious. Then in 1884, a small syndicate, headed by Major Dupont and Oppenheimer Brothers, which had acquired from the Provincial Government a large part of the land near English Bay, at the entrance to the Inlet, succeeded, after long negotiations and the offer of the best part of their property, in inducing the Canadian Pacific to extend its line to its present terminus.

The new city rose rapidly out of the forest, and the Bank of British Columbia shared in its beginnings. In January, 1886, the Victoria manager wrote to his head office as follows: "At present the precise situation of the proposed town of 'Vancouver' at Coal Harbor is so indefinite, that it would be purely speculative as to situation in selecting a lot. As soon as anything that can be regarded as conclusive is known, I shall not fail to act in the matter. At present I believe the so-called town comprises some ten miles. Rumours are frequent as to



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the intention of eastern Canadian banks to establish at Coal Harbor, but at present they are doubtless premature, and very probably emanate from land speculators interested in property on the spot." In September, 1886, a branch was opened, the first banking office in the newly-founded city. This was the eventful year in which took place the incorporation of Vancouver as a city, the fire which swept away the lumber shacks and the surrounding forest, and the arrival of the first transcontinental train from Montreal to the coast. Yet at the time of opening the Bank of British Columbia office, there does not appear to have been much actual evidence of the development so soon to take place. The Victoria manager writes: "The place makes no progress at present, as the railway line is not yet connected, and the difficulties of right of way have yet to be overcome. The winter season will, I fully expect, prove a dull and profitless one for the community, but I look for a revival in the spring of next year." The city at this time covered little more than two blocks, and only a few streets had been opened. The first premises occupied by the bank were the lower right-hand corner of the Canadian Pacific Land Office on Cordova Street West, then the main business thoroughfare. Nine months later the bank removed to 542 Hastings Street West. In 1891 the bank's own premises on the corner of Hastings and Richard Streets were first occupied, and continued to be used until December, 1908, eight years after amalgamation with The Canadian Bank of Commerce. It is interesting to note that the fifty-two feet forming the corner site on which this building was erected, had been purchased in 1886 for \$2,250.

The Vancouver agency very quickly acquired a good active connection. In 1891, five years after it was opened, the net earnings exceeded those of either San Francisco or Portland, and for one year the gross profits (allowing for interest on the proportion of capital used, which was charged to each branch by the head office) exceeded those of Victoria. In view of this expansion, and of the keen rivalry which

existed between the two chief cities of the province, it was no longer possible to keep the Vancouver agency under the supervision and control of the Victoria branch, as it had hitherto been. In 1890 the Court of Directors made Vancouver a separate and independent branch.

The experience of the bank in San Francisco was now repeated in Vancouver. The business of the new branch appeared to be so profitable that the manager was given a fairly free hand by the London directors, even though it was well-known that a large proportion of the advances he was making were secured directly or indirectly by real estate. The rapid increase in the advances at last alarmed the directors. Repeated instructions were given to take in sail and to secure material reductions in some of the accounts, but these instructions were not heeded. The inspector then took matters in charge, insisting on reductions, with consequent consternation and many threats as to the consequences. Investigation revealed the fact that the manager had a large personal interest in the shares of several of the most speculative concerns, and had in one such case given a guarantee in the bank's name without consultation or report. "Many of the debts incurred," Mr. Ward reported at the general meeting held in July, 1896, "were owing to the defiance of every kind of advice on the part of one of their officers, who had been a most zealous official, but who, when things were going up, unfortunately became imbued with the importance of his position, and thought he was going to become one of the wealthiest men on the mainland; he would not take advice, and the directors did not know what he was doing—in fact he deceived them." The manager, who had entered as an apprentice in the London office in 1875, at a salary of £70 a year, was summarily dismissed. In 1889 the branch was temporarily placed in charge of Mr. George Gillespie; in 1893 Mr. William Murray, formerly accountant at Victoria, was made manager. Further developments showed that the spirit of the time and the laxness of the former manager had contributed to the demoralization of the

rest of the staff. Two ledger-keepers were arrested for embezzlement, and the accountant, the teller and another officer were dismissed for gross negligence. One way in which the money was obtained was simply to pocket deposits at the ledger wicket when the throng of customers at the counter was too great for the teller to handle. Another method was by unauthorized internal debits paid by the teller, contrary to rule.

In commenting on these developments, the inspector later declared that the manipulations were such as would defy detection at any inspection, unless every summation and every entry in the ledgers were checked, a task which was the duty of the local officials in the daily checking rather than that of the inspector. In this connection a comment by one of the officers of The Canadian Bank of Commerce who took an active part in the amalgamation arrangements a few years later, is in order. "The Bank of British Columbia," he writes, "was a gentleman's bank, and this is said not with a note of sarcasm but in admiration of the ethics and traditions of that bank. It meant, however, that its methods of inspection and verifications of assets and accounts were not so frankly aimed at detecting cases of internal dishonesty and concealment of weaknesses as are our own methods. An inspector of theirs would at least write or wire a branch manager to reserve hotel accommodation before making a visit of inspection. To drop in at a branch with an auditing assistant, unexpectedly, a few minutes after three o'clock, and place the cash, securities and ledgers instantly under inspectorial seal, would have been classed in the Bank of British Columbia among the things 'not done.' One has a feeling of regret that the imperative call for efficiency precludes the conduct of all modern business according to the fine traditions of an English public school.

"Apropos of this, a story is told by the officers of the old Coast bank which will bear retelling. At one of the larger branches the manager's extension of credit had been marked by extreme liberality coupled with a deficiency of prudence,

with the usual result that numerous lock-ups were created and ultimately heavy losses incurred. Discovery of the truth of the situation by the inspector, who by the way was a kindly and genial-souled gentleman, was averted for a year or two through a system of 'camouflage' pursued by the manager. The inspector's discussion of the loans at the beginning of the day would be carried along until a bad account was reached, whereupon the manager would hurry the inspector off to call on an important customer. This visit would incidentally permit of a Scotch whisky or two—it was not considered the thing in those days for a bank official to take a drink before 11 a.m. Returning to the branch, with slightly increased feelings of brotherly confidence, the manager would announce that the next account on the list was so-and-so, skipping the snag which had previously just been reached. Then the discussion would be engineered so that when the next unpleasant account was reached it would be time to go to lunch. A Scotch or two at lunch, and on the return to the office the skipping of another snag was facilitated. The afternoon's procedure was then devoid of difficulty—there was always an important customer, the most suitable moment for a visit to whom was just when an account had been reached which would not bear close scrutiny. And so the manager successfully passed through the ordeal of inspection."

The general bearing of the losses sustained at Vancouver will be noted later. Mention may now be made of the three other British Columbia branches opened or re-opened in this same period, which may be termed the Canadian Pacific Railway era. In 1878 the New Westminster branch was re-opened, under the management of Mr. Isaac B. Fisher. The population and business of the town and district had made good progress during the preceding years. The fisheries on the Fraser river provided a large amount of business which bade fair to show still further development. The lumber mills at Burrard Inlet and the shipping in connection with them added to the volume of transactions offered to the



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bank. The farming possibilities of the lower Fraser were also being realized, and the district was entering upon an extended period of prosperity. On March 7, 1887, a branch was opened at Nanaimo, and in May or June at Kamloops. Kamloops, the largest town in the interior of British Columbia, at the junction of the North and South Thompson rivers, had been an old Hudson's Bay Company's post, and later a supply centre for ranchers in the Okanagan district and for prospectors and trappers in the Thompson country. During the building of the Canadian Pacific Railway it was construction headquarters, and looked forward to quickened growth when through communication should be established. The business of this branch did not prove particularly profitable for some years, netting only a few hundreds a year. Nanaimo was also an old Hudson's Bay Company centre, but owed its importance chiefly to the large coal mines in the vicinity, the chief source of fuel for long stretches of the coast. In 1865 and 1866 the resident manager of the Vancouver Coal Company had for a time acted as agent of the bank, selling demand sterling drafts to British miners, who were remitting to their families, and transacting such other business as was possible, but the Court disapproved of the arrangement, and little encouragement was given for its extension. For the first eight years the branch earned a moderate profit; afterwards, with stagnation in the coal industry, small losses alternated with small profits.

In June, 1886, the first through train over the Canadian Pacific Railway left Montreal for Vancouver, and later in the same year the Esquimalt and Nanaimo Railway on Vancouver Island was completed. The Northern Pacific Railway reached Tacoma in 1887, and its construction was accompanied by a very rapid development of the Territory of Washington. These events, as has been stated, gave new life and activity to all the communities on the Pacific coast from which the Bank of British Columbia derived its business, and the years which followed were the most prosperous in its history. The

business of the bank had grown slowly during the earlier years and its growth, as already indicated, had met with many temporary set-backs. The figures of the balance sheet first reached a total of a million pounds sterling in 1875 and hovered around that mark for some years afterwards. Between 1880 and 1887 its assets were doubled, and during the next four years were increased by almost another million sterling. The published balance sheet of December, 1891, showed the largest total reached during the whole of the bank's career, the figures being as follows:

LIABILITIES.

Capital paid-up.....	£600,000	0	0
Reserve fund.....	220,000	0	0
Notes in circulation.....	219,714	12	9
Current accounts and deposits	1,699,982	12	9
Bills payable	858,141	13	5
Other current liabilities.....	21,159	18	1
Balance of profit and loss.....	60,814	13	1
	<u>£3,679,813</u>	<u>10</u>	<u>1</u>

ASSETS.

Specie at branches.....	£259,397	5	2
Cash at bankers.....	55,963	12	5
Gold bars and gold dust.....	1,270	4	10
	<u>£316,631</u>	<u>2</u>	<u>5</u>
2¾ per cent. consols.....	£ 28,500	0	0
4 per cent. New South Wales			
Government bonds.....	30,600	0	0
4 per cent. Dominion of			
Canada regd. stock.....	41,500	0	0
	<u>100,600</u>	<u>0</u>	<u>0</u>
Bills receivable.....	942,773	16	2
Bills discounted and loans.....	2,265,953	0	1
Other securities.....	8,576	14	2
Bank premises and furniture.....	45,278	17	3
	<u>£3,679,813</u>	<u>10</u>	<u>1</u>

The United States branches experienced the same alternation of prosperity and depression as those in British Columbia. The building of the transcontinental railways linked the commercial fortunes of the coast to those of the whole republic, and general rather than local causes thenceforward determined the main trend of business.

In the "eighties" and early "nineties" the San Francisco branch shared in the activity which arose in California with the passing of the great wheat ranches, and the coming of intensive fruit farming and of the land boom that followed. The Bank of British Columbia was not so prominent in San Francisco as during the preceding period. After the Tillinghast experience, a more sober and less adventurous policy was enforced, and in any case the growth of strong national banks restricted the field of its operations. The branch, however, secured a large and on the whole a profitable business, surpassing Victoria and all the subsidiary British Columbia branches in net profits in 1888 and 1889, though declining after these years. The Portland branch grew steadily all through the same period, netting substantial profits every year. Then the manager's disregard of instructions, combined with a sudden shrinkage in prices, led to very heavy losses¹ in connection with advances on warehouse receipts for wheat and hides. The manager was dismissed in 1892, and a very drastic policy of restriction, running perhaps to the other extreme, was insisted upon by the head office. As an indication of the extent and rapidity of the changes in real estate values in the coast cities at this stage of development, it may be noted that the bank's premises on First and Ash Streets, which had cost \$52,000 in 1871 and for which \$90,000 was refused in 1884, were eventually sold for \$7,000, after a shift of the business centre from north to south compelled a change of quarters in 1893.

¹These losses were one of the contributing causes of the large reductions in the reserve fund of the bank, in 1895 and 1896, referred to on p. 345.

The Territory of Washington was the last of the Pacific coast communities to be opened up, and the most rapid of all in its development when once a beginning had been made. Its great forests, its fruit-bearing valleys, and its wheat plains, were made accessible only by the building of the Northern Pacific Railway, which was completed to Tacoma in 1887. In 1880 Washington had few more people than British Columbia, and not half as many as Oregon; by 1890 it had surpassed Oregon and left the province to the north far in the rear.¹ It was natural that the Bank of British Columbia, with branches in the territory on both sides, should seek to enter this promising field. Accordingly branches were opened in Seattle and Tacoma in the autumn of 1889. In both cities business was intensely active, and it was with difficulty that desk-room could be secured in suitable locations.

In Washington for the first time the Bank of British Columbia encountered serious local prejudice against a foreign bank. The laws of the Territory had barred any such bank from carrying on business. Under the State constitution, which came into force in 1889, no legal impediment was put in the way of the bank, but antagonism persisted. In Tacoma this feeling soon disappeared, as a strong effort was being made to establish the city as a grain-shipping port, and the advantage of having a bank with the capital and facilities required to finance this business was quickly realized. Some of the Seattle banks, on the contrary, gave their support to a bill intended to be introduced during the first session of the legislature, aimed directly against foreign banks; one clause required every such bank to keep in its safe at all times a special reserve of \$50,000 in gold, not to be used in its business, but subject to taxation, and open to the inspection of a state officer whose salary was to be borne by the foreign banks. The Bank of British Columbia lost no time in informing the framers and supporters of this bill, and the public generally, that it would not wait for the bill to come up, but would

¹See foot-note on p. 277.

immediately withdraw from the State if the matter were pressed. This aroused such strong opposition in the mercantile community that the proposal was never again heard of. When, two years later, in 1891, the Northern Pacific Railway brought its line into Seattle, a prominent firm of Portland wheat shippers, clients of the Bank of British Columbia in that city, made arrangements to load five cargoes during the season. As soon as this became known, some of the local banks demanded a share in the business. When a share was offered to one of them, it quickly realized its inability to finance the shipment, and also its lack of equipment for handling the documentary exchange. Wishing to encourage this export business, all the local banks assisted to their utmost in buying New York exchange from the Bank of British Columbia. After these episodes, the relations with the other banks were very friendly, and a satisfactory business was built up in both cities.

In 1893 the United States experienced a severe financial panic, followed by industrial depression covering the whole continent and lasting for about six years. The preceding period had been an era of steadily falling prices; vast new territories had been adding their quotas to the total of farm production and the expansion of industry had been swelling the flood of manufactured products, while, on the other hand, the output of gold had slackened. It is always difficult for industry to adjust itself to rapidly falling prices. The process was made doubly difficult in this case by the uncertainty and alarm created by the free silver agitation set afoot by the silver magnates of the west, by doubts as to the power of the United States government to maintain the redemption of the paper currency in gold, and by the distrust of the banking system which then became prevalent. In 1893 the Indian mint was closed to the free coinage of silver. Later in the same year the crash came; over five hundred of the smaller banks suspended, and the banks in the larger centres averted danger only by the issue of emergency clearing-house certificates. Gold was

hoarded and a premium of four per cent. was paid by money brokers for cash. Business failures multiplied threefold. Railway construction ceased, and forty thousand miles of railroad fell into the hands of receivers. Securities dropped to one-half or one-quarter of their former values. Wheat on the farm fell to less than fifty cents a bushel. In every city the soup kitchen and the bread line were thronged. Coxey's army marched to Washington. The Haymarket riots in Chicago marked the beginning of bitter industrial struggles. It was an anxious and testing time for every business and every financial institution on the continent.

The reaction was felt most severely in the communities where speculation had previously been most active. Tacoma and Seattle were hard hit. The values of securities held for loans fell to a fraction of the old figures, and margins vanished. In Tacoma most of the banks suspended, but in Seattle they pooled their resources and pulled through. The Bank of British Columbia was at no time in danger, and its specie reserves were strengthened steadily. When the panic was at its height and banks all over the country were suspending, it had in its vaults in the Pacific coast cities almost dollar for dollar of its immediate liabilities. This lock-up was maintained for about six months, and then the surplus funds were gradually returned to London. However, when the panic passed and the period of liquidation began, from 1894 to 1896, it was found that heavy losses had been sustained at Seattle and Tacoma, amounting to far more than all the profits they had earned from the beginning. As at the same time taxes were increased in what was considered an unduly arbitrary fashion, it was decided to close these two Puget Sound branches. Deposits amounting to half a million dollars were paid off in 1896, and the bank then withdrew from the State.

In the "nineties," the vein-mining era, came the final expansion of the bank in British Columbia. The building of the Canadian Pacific Railway, and the overflow of American prospectors from Montana and Idaho, had led to the

development of rich lode mines in the region between the Canadian Pacific and the United States boundary, far surpassing in permanent importance the placer mines of earlier days. The silver-lead ores of the Kootenay, and the gold-copper ores of the Boundary district and of Rossland, attracted the usual rush of prospectors and wild-catting promoters, before the stage of effective development was reached.

At various strategic points in these new mining regions the Bank of British Columbia opened branches. Nelson, on the west arm of Kootenay Lake, where the Hall and Toad Mountain mines proved large shippers, was the first point selected. The Nelson branch was opened about the end of 1891, the year after the Slocan district began to attract outside attention. While mining development was active, there were comparatively few safe openings for commercial loans during the first few years, and until 1895 the branch was conducted at a loss of over \$4,000 a year, to which the speculations of the first manager contributed. After 1895, the balance-sheet was more favourable. In 1896 branches were opened at Sandon and Kaslo, some thirty miles apart, further north in the Kootenay country, but both branches were conducted at a loss. Kaslo was closed in 1898, and Sandon after the amalgamation with The Canadian Bank of Commerce. Rossland, on the Columbia river, the centre of immense gold, iron and copper deposits, was the scene of the greatest mining boom Canada had experienced in a generation. Strange to say, the Bank of British Columbia did not enter this field while it offered a good opening, but waited until 1899, when competitors were firmly established. The Rossland branch was carried on at a loss each year, until closed after the amalgamation. In 1897 and 1898, Cranbrook and Greenwood were other places considered by the bank, and a branch at Cranbrook was authorized by the Court, but never opened. It is probable that the opening of branches by The Canadian Bank of Commerce at these places in the autumn of 1898 interfered with the plans of the Bank of British Columbia. In September,

1899, a little more than a year before the latter bank closed its career as an independent institution, the superintendent of branches in British Columbia brought up the question of opening a branch at Dawson City, and reopening at Seattle and Cariboo. It is recorded in the minutes that "the Court hesitate to decide, more particularly as to Seattle, before learning more of the probability of success, the character and nature of the business to be carried on at each place, and the proposed staff to be sent there. This latter point [Seattle] is one of great importance, and requires the appointment as manager of a man of experience, judgment, prudence and great firmness. The Court have a great desire to avoid any conflict with The Canadian Bank of Commerce as well as other banks, and they now express their decision that if ultimately they determine to reopen at Seattle, the business must be conducted on the most conservative principles, and avoid the character and risks of the business as formerly conducted there."

It was not in Washington alone that the depression which followed the year 1893 brought a scaling down of assets, and consequent losses. In British Columbia, in Oregon, and to a lesser extent in California, the story was the same. "It has been my misfortune at the last two meetings of the shareholders," declared Sir Robert Gillespie at the general meeting in February, 1896, "to deplore the almost unprecedented stagnation and depression of trade on the Pacific coast, affecting all our branches, depreciating all classes of security and property, paralysing the commercial interests of the country and ruining many local financial institutions in Washington and Oregon, which a few years ago were supposed to be possessed of ample means to meet their engagements. The result has been that many of our customers, more particularly those in Vancouver, Portland, Seattle and Tacoma, are now unable to pay the advances made them, and though we hold security, at one time considered ample, it has now so depreciated that we fear a contingent loss of a considerable sum may result . . . To me, individually, this is a great disappointment, for I have devoted,

supported by my colleagues, the best part of my life to inculcate and establish a prudent and conservative system of banking, as my private and official letters to the chief officers abroad testify; but it would seem that sufficient regard has not on all occasions been paid to my instructions, and while I have no wish to reflect harshly or ungenerously on the staff, I cannot arrive at any other conclusion than that the present condition has in part arisen from too great a desire to get business, and too little prudence and good judgment has been shown in limiting the extent of advances, and too little care in making advances on the security offered. . . It is very difficult to control people who are six thousand miles away from the office."

Fortunately the bank was in a position to stand heavy losses. The paid up capital had been increased in 1885, in 1888, and again in 1890, and stood at £600,000. The deposits, chiefly in London, were three times as large as the capital, having grown rapidly during the "eighties." Since 1882, not a half year had passed without a substantial addition to the reserve fund, and the premium of £2 on the issue of new capital in 1885, and of £14 on the issue in 1891, had been set aside for the same purpose, with the result that during the twelve years ending in 1894 the reserve fund had risen from £40,000 to £275,000. Nor had the immediate interests of the shareholders been neglected. The dividend had risen steadily from five per cent. in 1880 to ten per cent. (including bonuses) in 1889, and had stood at that figure down to 1894. In 1895, £40,000 of the reserve was appropriated to meet actual and contingent losses, particularly in Vancouver and Portland, and the following year £135,000 went the same road. The dividend was also reduced, and the payment of bonuses was discontinued after the first half of 1895.

These heavy losses led several of the larger shareholders to conclude that it would be well to retire from the field if occasion offered. In a region where business fluctuations were so violent and values so unstable and uncertain, very prudent banking was evidently necessary to escape loss, and prudent banking

could not always be enforced upon men at such a distance from the directors. It was plain, further, that when a revival of business did come, the Bank of British Columbia could never again occupy the position it had held in the past. In the United States coast centres, large National banks or trust companies were being established almost yearly, while in British Columbia one eastern Canadian bank after another had crossed the mountains, and was competing for the business which up to that time the Bank of British Columbia had considered as peculiarly its own. For many years there had been only two banks operating in British Columbia; by the close of the century there were nine.

It was at this stage that The Canadian Bank of Commerce, which from 1891 had been the joint agents, and from 1893 the sole agents, of the Bank of British Columbia "in Canada," as the official statement of the latter bank put it, submitted a proposal for amalgamation. "Our friends and correspondents," said Sir Robert, at the general meeting in July, 1900, "have intimated that, owing to their increasing business in British Columbia and San Francisco, they will be compelled to open branches in these parts as well as in London; but before acting on this course, they wished, as our correspondents in eastern Canada, to make the overture of amalgamation to us in the first place, and so to avoid an opposition and competition that might prove antagonistic to both institutions."

In 1894 the ten years' extension of the bank's charter, obtained in 1884, had expired, and it had been renewed on the same lines for a further period of seven years, with the intimation that it would probably not be renewed again.¹ Had the shareholders been determined to maintain its

¹The original charter of the bank was granted at a meeting of Her Majesty's Privy Council held at Osborne House, Isle of Wight, on April 26, 1862. It bore the date of May 31, 1862, and ran for twenty-one years from that day. A supplemental charter containing certain additional provisions (see page 26) and ending at the same time as the original, is dated August 30, 1864. The following renewals were subsequently obtained:

May 11, 1883, for one year.

May 27, 1884, for ten years to May 31, 1894.

May 12, 1894, for seven years expiring July 1, 1901.

independent existence, the bank might, of course, have secured a Canadian charter from the Dominion Government, under whose jurisdiction it had now come.

One further advantage to be derived from amalgamation was suggested by the experience of the Bank of British Columbia itself. The large measure of success it had attained in a rather precarious field was mainly due to the fact that its eggs were not all in one basket. To an increasing extent, it was true, the whole coast shared in the same general conditions of prosperity or depression. Yet this was not wholly so. Time and again prosperity in British Columbia had enabled the bank to weather misfortune in California, or the other way around. In this respect it had fared much better than purely local institutions. For the same reason it could not hope for so stable a future, if it continued isolated, as if it formed part of an institution operating throughout the Dominion and thus covering too wide a field to be overwhelmed by a local crop failure or a local depression.

The shares of the Bank of British Columbia, £20 paid up, were at this time quoted at £16 to £17 in the market; only a few years before, they had been quoted at £40. The offer of The Canadian Bank of Commerce amounted to over £22 a share.¹

Under the circumstances, the shareholders unanimously agreed to accept the offer, and the amalgamation was ratified at a special general meeting in December, 1900. The offer was subject to verification of all estimates of assets and liabilities. The Assistant General Manager of The Canadian Bank of

¹The purchase of the assets of the Bank of British Columbia was reported at the annual meeting of shareholders in June, 1901, to have worked out as follows:

Paid to shareholders of the Bank of British Columbia in cash.....	\$ 312,000
Transferred to pension fund to provide for staff of Bank of British Columbia.....	75,000
Canadian Bank of Commerce stock issued to shareholders of Bank of British Columbia, \$2,000,000, market value at \$150 per share..	3,000,000
	<u>\$3,387,000</u>
Surplus assets, Bank of British Columbia at Canadian Bank of Commerce valuation.....	\$2,940,776
Paid for good-will.....	437,224
	<u>\$3,387,000</u>

Commerce, Mr. Plummer, made a thorough analysis of the assets of each branch, and found that even applying the drastic methods of the larger bank to the valuation of the doubtful debts, the assets were worth very nearly the value which had been set on them. With the improvement in business conditions which soon followed, a number of these accounts realized considerably more than the estimate.

To the majority of the shareholders, assured of the future, the transfer caused little concern. To the directors, and particularly to the chairman, Sir Robert Gillespie, who had taken a deep pride in the management and upbuilding of the bank, its disappearance as a separate institution was naturally tinged with some regret. He did not long survive the amalgamation, dying in April, 1901. It was to the men on the Coast that the new dispensation gave most concern, as it was their life work that was being handed over to strangers.

"The officers of the Coast bank," writes one of the Commerce representatives in charge of the amalgamation, "were not prepared for the change, and it must be admitted that in any case an abnormal measure of preparation would have been necessary in order to inspire the managers and staff with confidence as to the safety of their interests in the hands of the new management. . . . Then British Columbia was at that time by way of being more British than the British, and it is probable that the officials of the Bank of British Columbia had unconsciously absorbed a certain prejudice against the aggressive commercialism of eastern Canada. Unfortunately also some mistakes were made by the Commerce representatives. At one branch the Commerce official was reported to have walked into the manager's office, with one hand tossed his letter of credentials on the manager's desk, while with the other he grabbed the bill wallet! apparently a case of a Commerce man overdoing it, related with the degree of exaggeration necessary to make a good story. It took several months to make it clear that the executive of the Commerce was really bent on giving them a



NOTES OF THE BANK OF BRITISH COLUMBIA
(See Appendix XII.)

square deal in the fullest measure. That they were given the full benefit of every doubt until we got really acquainted with them, the writer is in a position to know. The British Columbia staff was an excellent one, and it is noteworthy that the management of three of the largest branches of the old Coast bank is now in the hands of members of its old staff, promoted to fill vacancies caused by the death or retirement of older British Columbia men."

To the Bank of British Columbia there thus came an end of its separate existence. Its career had been marked by many ups and downs, but the honourable traditions of English banking had been well maintained throughout, and the Pacific Coast had been given effective and sympathetic service. Two members of the old Court, Mr. W. C. Ward and Mr. H. J. Gardiner, still serve on the London Committee of The Canadian Bank of Commerce.

To The Canadian Bank of Commerce, the amalgamation gave prosperous branches in Victoria, Vancouver, New Westminster, Kamloops, Nanaimo and Nelson in British Columbia, San Francisco and Portland in the United States, and in London. It gave more; the expansion into the Pacific Coast field signified that provincial days were over, and that a national, and even an international, character had been definitely assumed.

The following is the last published statement of the Bank of British Columbia, dated June 30, 1900, six months before amalgamation:

LIABILITIES.

Capital paid up.....	£	600,000	0	0
Reserve fund.....		100,000	0	0
Notes in circulation.....		207,835	1	0
Current accounts and deposits.....		1,657,537	16	6
Bills payable.....		435,122	10	7
Other current liabilities.....		23,201	14	10
Balance at credit of profit and loss account...		20,128	13	4
		<u>£3,043,825</u>	<u>16</u>	<u>3</u>

ASSETS.

Specie at branches.....	£492,928	14	0
Cash at bankers.....	32,342	18	0
Cash at call and short notice.....	15,000	0	0
Gold bars and gold dust.....	2,311	16	3
Natal 3½% inscribed stock £20,000.....	£20,175	0	0
New South Wales 3½% in- scribed stock £30,000.....	31,075	0	0
New Zealand 4% inscribed stock £10,000.....	11,137	11	0
Victorian Government 3½% inscribed stock £10,000....	10,412	11	0
Victorian Government 4% inscribed stock £25,000....	26,606	6	0
British Columbia 3% inscrib- ed stock £49,150.....	45,684	0	0
Canadian Pacific Railway 4% preference stock £20,000...	20,025	0	0
South Australian 4% bonds £10,000.....	10,412	11	0
Tasmanian 4% bonds £10,000.	10,462	11	0
Commercial Cable 4% deben- ture stock £10,000	10,262	11	0
	<hr/>	196,253	1 0
Stocks and bonds at branches.....	55,713	11	4
Bills receivable.....	567,426	12	9
Bills discounted and loans.....	1,534,113	12	4
Other securities	45,295	10	10
Bank premises and furniture.....	31,327	12	9
Other property.....	71,112	7	0
	<hr/>	£3,043,825	16 3



CHAPTER VI.

THE EASTERN TOWNSHIPS BANK

The fair-minded historian must always distrust and resist a natural tendency to magnify the importance of his special theme. Yet he will overstep the mark in another direction if fear of exaggeration prevents him from emphasizing those aspects of it which are distinctive and significant. Thus in sketching the annals of the Eastern Townships Bank it is necessary to avoid the use of language which would claim or imply too much. Obviously this institution was not the oldest, the largest, or the most powerful bank in Canada. At the same time none of our banks has possessed more clear-cut characteristics, nor has any fulfilled more honourably or more completely the purpose for which it was created. "Government," says Burke, "is a contrivance of human wisdom to provide for human wants." In its inception the Eastern Townships Bank was the fruit of a sagacity and public spirit which sought to provide for a pressing local want. Throughout fifty-three years the bank discharged, with great success, the function for which it was designed, and when its shareholders merged their fortunes with those of The Canadian Bank of Commerce, the union was effected on a basis of exact parity.

The broader reason for such an amalgamation is no less manifest than justified. Those same fifty-three years during which the Eastern Townships Bank enlarged its branches from a head-office and two agencies to sixty-four branches and thirty-nine sub-agencies, witnessed a complete transformation of economic conditions in Canada. The isolation which was enforced in 1859 no longer existed in 1912. During that half-century the Dominion had come into existence, and with it a national mechanism of commerce had been created.

The whole character of Canadian finance and business having been transformed, a point was reached where the Eastern Townships Bank found itself called upon to decide whether it should rest within its original boundaries, or participate in the larger movement of a new period. Wisely, it decided to accept the broader view, to seize the larger opportunity. As a consequence, its vigorous and well-managed organization was added to that of The Canadian Bank of Commerce, rounding out a system which is national in the fullest sense.

With the conditions that suggested this change we are all familiar, since they exist under our own eyes; but the origin of the Eastern Townships Bank takes us back to a period when localism had not yielded to the pressure of those forces which, since Confederation and the era of transcontinental railway building, have made so strongly for centralization. From an age which is face to face with the astounding, incredible figures of war expenditure, we go back in this survey to the day of small things and narrow surroundings. What may be the balance of loss and gain as between then and now, it would be beside the point to ask in such a narrative as the present; but at least we may feel grateful that in Canada there is no disposition to belittle what was wrought by our ancestors.

With so much of preface let us proceed to consider what service the Eastern Townships Bank rendered to the community in which it grew up, and to which from the moment of its birth it was bound by the closest ties. As the nature of this service can only be appreciated by those who are familiar to some extent with the life of the Eastern Townships, the point of departure for the present survey must be found in a statement regarding this district and its inhabitants. There is the more reason to sketch in such an historical and geographical background, since by virtue of origin the Eastern Townships form an enclave in Lower Canada—a fact which gave them for at least eighty years a very special and self-contained position.

To see our subject in its true perspective, we must go back to the first regime of Sir Guy Carleton—to those vivid and fateful years when all North America above the Spanish zone belonged to the British Empire. Canada having been ceded to Britain, it became necessary to accept some theory upon which its political and administrative institutions should be built up. As things then were, a vast wilderness separated the Laurentian Valley from the Thirteen Colonies. In 1767, when Carleton became governor for the first time, there lay to the north of this wilderness a territory which was peopled by sixty-five thousand French and a few hundred English. At the same date the population of the English colonies was approaching three million. In these circumstances a royal proclamation of October 7, 1763, delimited Canada from the Thirteen Colonies by drawing, from the St. Lawrence to the eastern limit of the region now occupied by the Eastern Townships, a line which is substantially the present frontier between the United States and Canada. Having accepted the geographical boundary thus fixed by royal proclamation, the British Government went forward with the task of shaping political institutions. Its expert in these matters was Sir Guy Carleton, and the Quebec Act embodied the result of his recommendations.

Fortunately we possess a state paper in which Carleton discloses the groundwork of his theory regarding the principles which should be adopted by Great Britain in the organization and government of the newly conquered Canada. Writing to Lord Shelburne on November 25, 1767, he says:

“Having arrayed the strength of His Majesty’s old and new subjects, and shown the great superiority of the latter, it may not be amiss to observe, that there is not the least probability this present superiority should ever diminish, on the contrary ’tis more than probable it will increase and strengthen daily; the Europeans who migrate never will prefer the long unhospitable winters of Canada to the more cheerful climates and more fruitful

soil of His Majesty's southern provinces; the few old subjects at present in this province have been mostly left here by accident, and are either disbanded officers, soldiers, or followers of the army, who, not knowing how to dispose of themselves elsewhere, settled where they were left at the reduction; or else they are adventurers in trade, or such as could not remain at home, who set out to mend their fortunes at the opening of this new channel of commerce, but experience has taught almost all of them that this trade requires a strict frugality they are strangers to, or to which they will not submit; so that some from more advantageous views elsewhere, others from necessity, have already left this province, and I greatly fear many more for the same reasons will follow their example in a few years; but while this severe climate and the poverty of the country discourages all but the natives, its healthfulness is such that these multiply daily, so that barring a catastrophe shocking to think of, this country must, to the end of time, be peopled by the Canadian race, who have already taken such firm root, and got to so great a height, that any new stock transplanted will be totally hid and imperceptible amongst them, except in the towns of Quebec and Montreal."

Here is an excellent example of the manner in which fate upsets the logic of men, even when they are thoughtful, disinterested and humane. Carleton's reasoning is clear, and at the time it must have appeared very cogent. All North America, to the borders of Florida and Mexico, being British land, why should English immigrants choose the rigorous climate of Canada, when there were so many millions of vacant acres in milder latitudes? With this forecast the whole problem seemed simple, but soon after, those elements in the calculation which we have come to call the "imponderables," cut away the foundations from Carleton's prophecy. The American Revolution drove English loyalists to the region from which, according to Carleton, they would be

excluded by the climate, and Canada, instead of being a solid territory, exclusively French, became a divided territory, with the lower part French and the upper part English.

Nor did Lower Canada itself remain wholly French. At the moment when Carleton set down his notable dictum, there were on the banks of the St. Lawrence certain disbanded soldiers who had remained in the country after the cession, and a smattering of English traders at Montreal, Three Rivers and Quebec. Carleton is willing to admit that there may continue to be a few English in the towns of the St. Lawrence, but elsewhere in Canada, none. Within twenty years this prophecy was falsified, not only by the coming of the loyalists to the Lower Provinces and to Upper Canada, but by the beginning of English settlements in the Eastern Townships above the 45th parallel.

Simple though it is in form, the name "Eastern Townships" carries with it two implications: first, the broad distinction between township and seigniorie which comes in with the arrival of the loyalists, and second, a geographical relation which the "eastern" townships in Lower Canada hold to the group of townships that had been settled at a slightly earlier date in Upper Canada. Considering the Eastern Townships in their fullest extent, the region must be held to include Huntingdon, which touches the St. Lawrence, but by far the larger part of its area lies to the east of the Richelieu. On its eastern fringe the chief physical features are Lake Megantic and Lake St. Francis. On the south it is bounded by the 45th parallel, and on the north by its contact with what was originally the land of the seigniories, but what was more commonly known to the earlier settlers of the Eastern Townships as "the French country." Considered from the standpoint of race, this line of contact between the Eastern Townships and the French country tends to shift from decade to decade, the Townships having received by infiltration during the past forty years a large French element. Such are the frontiers of the Eastern Townships, with the added statement

that when approached from the side of the St. Lawrence, the zone of the seigniories includes the alluvial valley to a depth of from twenty to forty miles. Where the land begins to rise the area of French population under the old regime ended, and to this point the Townships progressively advanced.

So much for the border lines. The physiography of the region must also be considered in any attempt to describe the operations of a bank which eventually spread its branches throughout the length and breadth of the whole territory, until there were almost as many branches as townships.

Centuries ago it used to be said that the income of a Kentish yeoman was thrice greater than all the possessions belonging to a laird of the north country. Similarly the wheat lands of Saskatchewan will be considered by many to surpass in value the hills and dales of the Eastern Townships. However this may be, nature has given certain things of high worth to those who dwell between the Richelieu and the Chaudière. Perhaps, in writing the history of a bank one ought not to stray into poetry, but without over-statement it may be said that the folk of the Townships know why the Scot reacts to the line, "O Caledonia, stern and wild," and why Wordsworth, dwelling amid the hills of Westmoreland, could say of Yarrow:

"Fair scenes for childhood's opening bloom,
For sportive youth to stray in;
For manhood to enjoy his strength,
And age to wear away in!"

Besides this, when quoting from Wordsworth, one may appropriately recall the fact that Lord Sydenham, in a letter written during the latter part of 1840, likened the Eastern Townships to the English lake country—at the same time generously giving the palm for beauty to the Eastern Townships.

In all essential respects the region is hill country, with the altitudes sinking as it merges into the old seigniories, but still hill country throughout its central and distinctive portion.



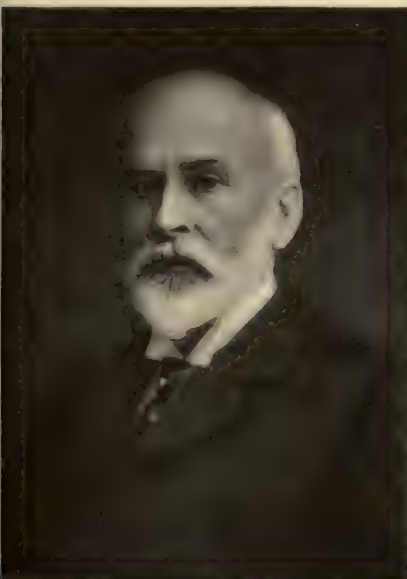
COLONEL BENJAMIN POMROY

First President, Eastern Townships Bank, 1859-1874.



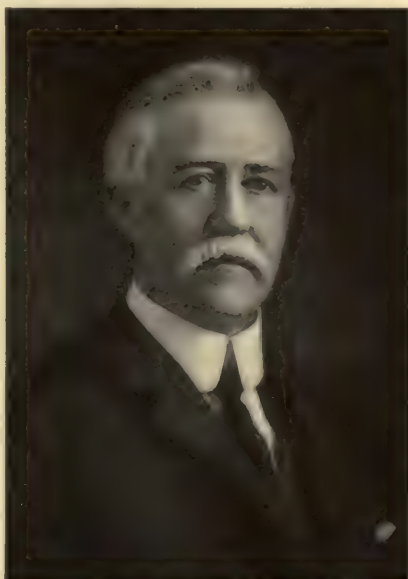
RICHARD W. HENEKER

President, Eastern Townships Bank, 1874-1902.



WILLIAM FARWELL

Cashier and General Manager, 1863-1902.
President, 1902-1912.



JAMES MACKINNON

General Manager, 1902-1912.

Sutton Round Top, the highest summit, reaches nearly 3,000 feet, and elevations of from 1,500 to 2,500 feet are numerous. In the Alps or Rockies these figures would seem trivial, but it must be remembered that the hills of the Eastern Townships, rising virtually from sea level rather than from an elevated plateau, present a greater appearance of boldness than is possessed by many summits of much more impressive altitude. It is the Green Mountain formation carried across the political frontier, but nowhere reaching the stature of Mount Mansfield, in the central portion of that range, or of Jay Peak, which lies close to the border. Besides Sutton Round Top, the most striking elevations are Orford, Foster Mountain, Owl's Head, the Pinnacle, Brome Mountain and Shefford Mountain.

Highly vertebrate by reason of their hills, the Eastern Townships possess at the same time a fair share of strath land, where in river bottoms and on gentle slopes the soil is excellent, meadow and pasture alternating. None of the streams is navigable for boats of considerable draught, but many are large enough for the annual drive of logs. Almost the whole area lies within the drainage basin of the St. Lawrence, despite which its trade outlook at border points has long been, and still is to a considerable extent, towards the United States. Of its rivers the Richelieu is the largest, while the St. Francis is the most central. Throughout, the region abounds with bodies of water, ranging in size from ponds to Lake Memphremagog, thirty miles in length. During the first two generations of its occupation it abounded with fish and game. Such few tribes of aborigines as made their home there belonged to the Abenakis branch of the Algonquins. Especially adapted to lumbering and mixed farming, the Eastern Townships do not depend wholly upon agriculture and the saw-mill. Their resources also embrace certain minerals, of which copper, chrome iron and asbestos are the most important. Here, as in other parts of Canada, nature exacts from man both industry and self-denial. At the same time the rewards of obedience

are sufficient, for even the severest toil is solaced by the daily delight of living in a land so beautiful.

Amid such surroundings, there grew up between 1785 and 1859 a community of 250,000 people who possessed the unity that comes from British ancestry, together with that further sense of unity which was thrust upon them by the nature of their neighbourhood. Politically, they were cut off from the United States; racially, they were cut off from the French of the seigniories. A considerable distance and the difficulties of transportation separated them from the English of Montreal. In short, living on their own hillsides in a region remote from the other English parts of British North America, they developed at once a strong spirit of independence and a very lively sense of the things they had in common. It is said that Boston is not so much a place as a state of mind. Likewise there is a state of mind which still marks the men and women of the Townships wherever they are to be found—even at points far beyond the farms and villages of their birth.

The first settlers, who took up land in this wilderness, came from New England. Some were loyalists, but a still larger number moved across the northern border of the new republic to improve their fortune through the acquisition of cheap land. It was not a colonizing movement on a large scale, yet within its limits it distinctly was a colonizing movement, which drew its chief motive from economic necessity and the will to thrive, rather than from political restlessness—though in many individual cases this prompting also existed. Naturally, these settlers brought their own English institutions with them—the more so since they were establishing themselves under the Union Jack. And with the township type of organization which had existed in England since the days of the Heptarchy, they brought the town meeting, which then flourished in Massachusetts and Connecticut no less vigorously than it had flourished centuries before in Surrey and Sussex. That marvellous training in self-government, which the English race everywhere has derived from the

fortunate development of its local institutions in ages long past, became an asset of the English in the Eastern Townships no less than in other parts of America. Besides the town meeting, these colonists had in common other immutable possessions—the husking, the spelling match, the singing school, and a strong preference for trial by jury. First came the log house in the clearing, next the church, and then the school. It was an interesting contrast of culture and ideals, along the line where the township impinged upon the seigniory. Within forty years from the date of the first settlement, Joseph Bouchette notes in his *Topographical Survey*¹ the sharp cleavage of life and customs which one sees in passing from the flat land by the shores of the great river to the southern hills, from the seigniory to the township.

This is not the place to trace minutely the details of the movement which brought the first of the New Englanders to the Eastern Townships, or to follow the stages by which the original nucleus of population was augmented by immigration arriving directly from the British Isles. “Roughing it in the bush” was much the same whether in Upper or Lower Canada, demanding the same high qualities of endurance and begetting the same type of robust manhood. In the Townships the experiences of the first settlers were often so stirring or pathetic as to make the re-telling of the story a fascinating theme for their descendants. Whatever its limitations, life in the clearing abounded with thrills and joys and hopes, which lightened its hardships and strengthened the fibre of character.

Needless to say, these English pioneers, who from the south came once more into the realm of King George, did not belong to the class of bank depositors. At first an axe and a sack of corn meal usually constituted their sole capital. Here and there in the Townships may still be found heirlooms that have survived from the eighteenth century, but those who owned Chippendale sideboards and Wedgwood teacups could be counted on the fingers of one hand. The majority brought

¹Joseph Bouchette, *The British Dominions in North America*, 1832, I, x.

only courage, ambition and a descent from the freeholders of Connecticut and Massachusetts.

Under such circumstances the pioneers were forced to rely in the main upon barter. As tobacco had been the unit of value in Virginia, and the beaver skin had stood for money to the first colonists of New France, so amid the clearings of the Eastern Townships the staple commodities became pot ash and pearl ash. It was a process by which the settler contrived to make one hand wash the other. He needed a clearing for his crop, and the wood he felled could be converted by fire into what was then the closest equivalent of money. Indeed, pot ash was money when carried from the wilderness to a market. Ample illustration of the shifts to which the pioneers were driven may be found in their own narratives, and in the pages of the *British Colonist*, the first newspaper to be printed in the Eastern Townships.

Thus, while one must touch lightly upon the details of settlement and early trade, something must be said in explanation of the fact that for seventy-five years after Englishmen entered the wilderness of southern Quebec they had no banking facilities. During the first part of this period they needed no bank because they had no money. The frontiersman coped with his daily task of winning food from the soil by the most primitive methods; but the very severity of his efforts toughened his character. In all ages and countries the dweller on the frontier has been a picked man, doing the rough work of the founder, and gaining the strength that comes from contact with stern actualities. All honour to those who redeemed the Eastern Townships from the wilderness. They might be too poor to need a bank, but they left their sons the qualities which are easily convertible into cash assets.

During the half-century from 1809 to 1859 there was a slow but sure increase of material prosperity in the Eastern Townships. The war of 1812 disturbed their solitudes but little, nor were they ravaged as were the seigniories by the troubles of 1837. Through the aid of an almost unbroken

peace, and of improvement in the means of transportation, they advanced, if not towards wealth, at least towards comfort. It was but natural that the older parts of the province should first reap the benefits which flowed from the industrial revolution and the progress of science. In 1809 Molson launched the first steamship upon the St. Lawrence. In 1835 was opened the railway from St. Johns to Laprairie. In 1855 the Reciprocity Treaty came into effect. These are all landmarks in the economic development of Lower Canada, and like the rest of the world, the Eastern Townships profited by access under easier conditions to wider markets. A comparison between the land values of 1809 and 1859 is one criterion of the advance which had been won by axe and plough in conjunction with better roads and a larger trade. Another, which is no less valuable, may be found in the establishment of Bishop's College at Lennoxville, the first institution of higher education in the Eastern Townships. But there was still no bank.¹

The charter of incorporation of the Eastern Townships Bank dates from 1855, a year when the Crimean War was claiming the attention of the world at large, and when, nearer home, J. W. Dawson² came from Nova Scotia to revive the drooping fortunes of Protestant education in Quebec. Not only was Dawson's coming to McGill University a fact of great importance to the Eastern Townships, but the quickening of McGill and the founding of the Eastern Townships Bank are both due to the rapid advance in prosperity which was made by Lower Canada during the decade following Lord Sydenham's administration. The William Molson Hall, which represents the first large gift to McGill, was being built at the very moment when the Eastern Townships Bank opened for business. Both in town and country the English of Lower Canada were making headway.

¹As early as 1831 an effort had been made to incorporate a bank at Stanstead under the name of the Stanstead County Bank, but the charter failed to pass. Shortt, "*The History of Canadian Currency*," etc., in *Journal of the Canadian Bankers' Association*, VIII., 161.

²Knighted in 1884 as Sir William Dawson.

An interval of four years separates the incorporation of the bank from the commencement of operations. By 1859, however, the financial requirements of the Townships had become such that there could be no further delay without serious damage to business of every kind. The furthest advance towards banking which had been then made in the English counties of Lower Canada assumed the form of an agency established at Sherbrooke by the City Bank of Montreal. But this institution had taken no root. Destitute of local attachments, it received little support, and in fact, its efforts were chiefly confined to the collection of deposits. It had no basis which could render it permanently useful to a community like that of the Townships, wherein local sentiment was often strong enough to be called prejudice.

The stage then had been reached where the Townships required a bank which should be their own. Besides the steady expansion of business which occasioned one need, another was found in the operations of the private money-lender, whose rates of interest were appreciably heightened by the want of a financial mechanism. Yet it was a considerable undertaking for the men of the Townships to found a bank, and unaided by the existence of the municipal loan debentures,¹ the task of raising capital in 1859 might have proved too great. As it was, the law provided that owners of municipal loan debentures might pay for their bank stock in this security.

¹Municipal loan debentures were issued by the Government of the province to provide for the requirements of the municipalities. The latter were required to pay eight per cent. per annum for the loan, the amount paid in excess of the interest on the debentures being set aside as a sinking fund for the redemption of the principal. This plan was adopted at a time when the municipalities had borrowed to such a large extent, particularly for the purpose of aiding railway projects, as to cause a considerable increase in rates of interest on municipal borrowings generally, and to threaten a financial stringency. This led the municipalities to seek Government assistance, and the Consolidated Municipal Loan Fund was established in Upper Canada in 1852 and extended to Lower Canada in 1854. The experiment was not a success, as the borrowings of the municipalities were far beyond their power to pay, so that the burden of payment fell on the province. No new loans were made after 1859. Consult *Canada and Its Provinces*, V., 176. See also p. 227, *supra*.

For example, there can still be seen in the archives of the bank the receipt which Edward D. Worthington received for £200 of debentures accepted from him in payment for stock.

Sixty years had been required to bring the Eastern Townships from an unbroken wilderness to the point where their further prosperity demanded the creation of a local bank, and still another four years were needed to bring the bank itself from a project to a fact. Throughout this promotion period the most active and successful advocate of business unification in the Townships was Colonel Benjamin Pomroy of Compton. By lineage he derived from Eldad Pomroy, one of the founders of the Plymouth Plantation, and to the firmness which marked the Puritan he added social qualifications which were not always found among the companions of William Bradford. A fine presence, a complete knowledge of the Eastern Townships, an admirable record, and great public spirit were striking advantages which Colonel Pomroy possessed in taking up the educational task of founding a bank in a community where even then the reign of barter had not quite ended. Aided by the necessities of the case and a strong drift of tendency, Colonel Pomroy overcame the successive difficulties which beset his pioneering efforts, and within a relatively short period brought the bank from faith to sight. Not only was he the first president, but he held office until declining health led to his resignation fifteen years later. He continued, however, to keep his seat on the Board until his death, and when his associates registered their regret at the loss of so valued a colleague and executive, they termed him also "the founder of the institution." It should be recalled that, besides his part in establishing the bank, Colonel Pomroy was a most active promoter of railway building.

There are those still living who can remember the original campaign to secure subscriptions for shares in the Eastern Townships Bank. Driving about from village to village, and even from farm to farm, Colonel Pomroy explained in person to all possible investors the functions

of a bank, and the benefit which it would render to the Townships as a whole. His fine presence, and the great esteem in which he was held, furthered an effort which had its root in considerations of public service rather than of private profit. It was neighbourhood propaganda, carried on by word of mouth rather than through a printed prospectus, and deriving its chief strength from the personality of a natural leader.

In 1855, when the charter of the Eastern Townships Bank was originally issued, the capital stood at £250,000 (Halifax currency) in 20,000 shares of £12 10s. each, but a little later such a large capitalization was thought to be too ambitious. When it came to the task of booking subscriptions, the shares were reduced in number to 8,000, with a par value of \$50. At the beginning of June, 1859, stock to the amount of \$206,200 had been subscribed for, and the initial call of ten per cent. had been paid. By this date the need of a bank for the Townships was more imperative, and more clearly recognized, than it had been four years earlier when the charter was taken out. Not only was the volume of business growing rapidly, but the panic of 1857 had made itself felt even in the rural districts of Lower Canada. By political conditions the banks of northern New England were prevented from expanding their business in such wise as to take in the Eastern Townships, while the banks of Montreal were not prepared to undertake business on any serious scale in a district which was separated from them by the fifty miles of seigniorial belt. Lacking a north and south line of water communication, the Eastern Townships were thrown in upon themselves. They could expect even less from the English of Upper Canada than from those of Montreal. Indeed, at the date when the original stock was being sold, the most conspicuous fact about the financial fabric of Upper Canada was that the International Bank of Canada and the Colonial Bank of Canada had just failed.

The year 1859, which witnessed the first operations of the Eastern Townships Bank, was made memorable in the history



HEAD OFFICE OF THE EASTERN TOWNSHIPS BANK, SHERBROOKE, P.Q.



THE STAFF OF THE SHERBROOKE BRANCH OF THE
CANADIAN BANK OF COMMERCE IN 1917
In the gardens attached to the bank.

of the world at large by the battles of Magenta and Solferino—by that momentous campaign which led to the expulsion of the Austrians from Lombardy as a condition precedent to the creation of a united Italy. In this year also was born William II., Hohenzollern King of Prussia and Prussian Kaiser of Germany, through whose deliberate crime, or through whose weakness of will, the abomination of desolation has been brought to uncounted innocent millions. Well would it have been for this prince had he not abandoned the constructive works of peace to follow a course of frantic, unhallowed and suicidal ambition! Amid so much of portent for the future, this institution began its useful and meritorious existence. Its founders may be excused for not looking far beyond their own borders.

Oblivious of the fate which through William II. would overtake many of their descendants, the original shareholders of the Eastern Townships Bank held their first meeting on June 6, 1859, at the Magog House in Sherbrooke, upon the notice prescribed by the terms of the charter.¹ Those present represented adequately both the District of St. Francis and the District of Bedford. After the Hon. Hollis Smith had been appointed chairman and J. G. Robertson, secretary, the first act was to appoint a committee which should examine the stock book and report upon the subscriptions paid up. Another committee was then appointed to nominate the first Board of Directors. The list which it returned reads as follows:

¹A head office building was provided in July, 1859, by the purchase of the "Thompson House" at Sherbrooke. The cost was \$3,500, of which \$2,500 was payable in bank stock. The alterations cost \$500—an aggregate which should arouse admiration rather than excite contempt. Fourteen years later a more adequate provision for head office requirements was made, by the purchase of a site near the bridge which crosses the Magog River in the centre of Sherbrooke. On November 11, 1873 (six weeks after the purchase of the land), it was resolved by the Board to erect a new banking house. However, the tenders proved so high that it seemed desirable to secure a special authorization by the shareholders. This was given, with a limitation of the total cost to \$40,000. James Nelson of Montreal was the architect, and these new premises (so closely identified with the development of the Eastern Townships Bank in its middle and later period) were first occupied in January, 1877.

A. A. Adams, Coaticook; H. L. Robinson, Waterloo; J. H. Pope, M.P.P., Eaton; G. K. Foster, Richmond; Charles Brooks, Lennoxville; B. Pomroy, Compton; R. W. Heneker, Sherbrooke.

Thus constituted, the Board proceeded to elect an executive, with the result that Colonel Benjamin Pomroy was made president and Charles Brooks, vice-president.¹ The first cashier was W. S. Foster, and the bank commenced operations on September 19, 1859.² The three points at which business was conducted during the opening year were Sherbrooke, Waterloo and Stanstead.

Regarding the methods and policy of these directors, we fortunately have specific information in the form of two documents—the first being the by-laws which were adopted at a special meeting of shareholders held at the Magog House in Sherbrooke on September 19, 1859; the other, a general statement, issued by the Board on December 31, 1859. The methods adopted according to the by-laws subjoined have distinctive features of their own:

“1. For the transaction of business the bank shall be opened daily from 9 till 12 o'clock in the morning, and from 1 to 4 o'clock in the afternoon, except on Sundays, all legal holidays, and every day appointed by proclamation for a general fast or thanksgiving.

¹It was not until the summer of 1862 that a regular order of procedure was adopted for the conduct of business at annual meetings. At a meeting of the Board held on June 2 of that year, “a letter from William Workman, Esq., president of the City Bank of Montreal, was laid on the table, addressed to Mr. Sanborn, giving particulars of the mode of proceeding at annual meetings of proprietors at the City and other banks, Montreal.

“Resolved: That the course of proceedings named be adopted in future for this bank.”

²On September 7, 1859, it had been resolved “that the rate of interest to be charged shall be 7 per cent. per annum, as allowed by law, payable in all cases in advance.”

It was also resolved “that the president and cashier be authorized to make deposits of Eastern Townships Bank bills for purposes of exchange only, with the following persons, viz: Geo. K. Foster, at Richmond; A. A. Adams, at Coaticook; Albert Knight, at Stanstead; Daniel Hayward, at Cookshire.”

"2. The days of discount shall be Tuesdays and Fridays, except any of the holidays observed by the bank shall fall on those days, when the next following day not a holiday shall be substituted therefor.

"6. The directors at all times to have free access to the books and papers, and the cashier to be under the strictest confidence respecting all the business of the bank, except such disclosures as the charter requires.

"9. The books and accounts of the bank shall be regularly balanced upon the second Saturday of the months of May and November in each year, or upon such other days as the directors may appoint.

"The books for the transfer of shares shall be closed during the fifteen days immediately preceding the day appointed for the payment of a dividend, and the parties whose names shall stand in the transfer books, at the closing thereof, as the shareholders of the bank shall be the parties entitled to receive the dividends then or about to be declared.

"13. The firm of a house in trade shall, if requested, inform the bank in writing of the names and residences of the partners and when the partnership terminates. The firm of a house in trade shall be considered as one name only.

"15. The bank will receive notes and bills for collection not having less than ten days to mature, with the distinct understanding that the party leaving the same does so at his own risk, and the bank will be responsible only for money actually received and not for any omission, informality, or mistake whatever."

More illuminating still is the second of these documents—a formal statement which might be called a prospectus but for the fact that its date is subsequent to the time when the original capital was raised. None the less, it recites in clear terms the fundamental purposes of the institution, besides making such report of progress as would be of high interest to the shareholder. It would, of course, be possible to present this statement in abridged form, but since in all the papers of

the Eastern Townships Bank no more striking record will be found, the text is given at length, together with the two statements which immediately precede. Of these the first is an analysis of the original subscription list, and the second, a weekly statement of the bank's business as at December 31, 1859—six months after the first meeting of shareholders. After publishing these two important items of information, the directors offer under the head of "General Remarks" a definition of purpose which will be found both succinct and complete.

"The following shows the number of shares subscribed in the different counties in the Townships, up to December 31, 1859:

	No. of Subscribers	No. of Shares
Town of Sherbrooke and Compton co. .	147	3211
Stanstead county.....	68	1271
District of Bedford.....	122	1110
Richmond and Arthabaska counties....	46	710
Montreal and Quebec.....	18	374
Foreign.....	3	140
	<u>404</u>	<u>6816</u>

WEEKLY STATEMENT

Saturday, December 31, 1859.

LIABILITIES.

Capital.....	\$118,835 00
Circulation.....	125,339 00
Deposits.....	4,424 80
	<u>\$248,598 80</u>

RESOURCES.

Coin and bullion.....	\$ 27,475 96
Bills and cheques of other banks.....	3,790 00
Discounts.....	130,417 18
Due from other banks.....	30,266 10
Government securities.....	62,000 00
	<u>\$253,949 24</u>

WM. S. FOSTER,

Cashier.

GENERAL REMARKS

"The Board of Directors of the Eastern Townships Bank have felt it necessary (in consequence of the failure of two of the recently chartered banks of western Canada, and with the view of counteracting any bad impression which these failures may have caused to the new institutions of the country generally, however solidly based) to draw public attention to the following particulars setting forth the reasons for the formation of their bank in the first instance, the basis on which the bank rests, and the character of the business sought to be done, under the conviction that the wider these facts become known the more the credit of the institution will be raised, to the well-being not of the Eastern Townships only, but likewise of those merchants and others who have, or are likely to have, business transactions with them.

"Up to the date of the organization of the bank this large and important section of country, with a population of 250,000, was entirely dependent on the city of Montreal and United States banks located on the frontier, for all banking accommodations, and was consequently always liable to be hampered by the necessity those banks were under of regulating their action by the frequent fluctuation of business in their several localities.

"The quiet, steady and unspeculating men of the Townships, smarting under this evil, determined as a last resource on establishing a local bank of their own, sufficient to meet all their requirements without the necessity of leaning on outside institutions; and an inspection of the stock books will show the wide extent of the subscriptions, scattered over the whole of the Eastern Townships and comprising all classes of the community, including merchants, mechanics, farmers, professional and business men of all kinds.

"It would, perhaps, have been easier for the promoters of the institution to have raised the capital required from a few wealthy individuals, but the object in view was two-fold:

first, to benefit the country, and secondly, to create so widespread an interest amongst the people themselves in the well-being of the institution, that it would not only tend to raise the credit of the Townships, but at the same time be a safeguard against any speculative action on the part of the bank itself.

“Where so large a proprietary exists, and that a proprietary of persons desiring accommodations for the carrying on of their business, it stands to reason that no very large amounts of accommodation to a few will be tolerated, but the safer business of accommodation in small amounts to the many, will be the rule.

“With these points in view the Eastern Townships Bank has gone into operation. The head office of the bank is situated in the flourishing town of Sherbrooke, which, from its central position, its natural capabilities for manufactures, and the stirring and business character of its population, bids fair, with the growth of the country, to become a place of considerable importance. Its present population is 3,500.

“There are two branches. One at Stanstead Plain, in the county of Stanstead; and the other at the village of Waterloo, in the District of Bedford.

“Both districts are well known as places of great business capabilities, in consequence of their being the centres of highly cultivated counties.

“Application has been made for the establishment of two other branches in flourishing localities, but the directors, although extremely desirous of satisfying the wants of all localities, and recognising to the full the disadvantages under which many of the applicants for branches labour, yet feel that the institution is at present too new to undertake so extended a business, and they would rather test the wants of the country with the present amount of paid-up capital in those districts where their business is already yielding a profitable and safe return, than make an immediate call of more capital for the establishment of new branches.

"Regarding this bank, however, as essentially an Eastern Townships institution, they will do their utmost to accommodate all localities, as well as all classes of the community.

"The bank commenced operations on the 20th day of September last, and the weekly statement of this date will show its present standing.

"Sherbrooke, December 31, 1859."

Read in the light of the accompanying statistics, these "General Remarks" bring out in high relief the status, the aims, and the resources of the Eastern Townships Bank during the first days of its existence. That it was a purely local institution is made clear from a stock list which shows aggregate subscriptions of only seven and one-half per cent. from investors living outside the limits of the Townships—whether in Montreal, Quebec, or foreign parts. The population served by the bank is placed at 250,000, with a character distinctly rural, as may be seen from the fact that Sherbrooke, its largest town, had only 3,500 inhabitants. Furthermore, it may be doubted whether in 1859 the Townships contained any ten centres of population whose total inhabitants were 10,000 in number.

Obviously a community of this size and nature could afford to take no risks with its finance, and as the founders of the Eastern Townships Bank were prudent as well as enterprising, they hedged themselves in with restrictions which were designed to give proof of their conservatism. For instance, Article 14 of the original by-laws declares that: "No person or firm shall be allowed to become—directly or indirectly—indebted to the bank for more than ten thousand dollars." Of like import is Article 12 of the charter, which forbade directors to take fees. Another noteworthy feature of the charter is the care which it takes to prevent the oppression of small shareholders by their more wealthy associates. Under Article 16 one share has one vote; ten shares, five votes; thirty shares, ten votes; sixty shares, fifteen votes; a hundred

shares and over, twenty votes. All these provisions were manifestly framed in the interests of small shareholders and prudent management. "Big business" in the modern sense had not yet made its appearance, but farmers like to feel that no one has the power to play fast and loose with their investments, or to take excessive profits from the management thereof. There is little need to multiply considerations which show why the first directors of the Eastern Townships Bank were resolved to go forward cautiously. A bank which six months after it began business could show deposits of only \$4,424.80, was not in a position to spread much sail. With all their prudence, however, Colonel Pomroy and his colleagues were given one thrill which must have been acute while it lasted. Hardly had the bank been started when one of its employees in journeying from Sherbrooke to Stanstead dropped \$4,000 out of his pocket. Fortunately the money was recovered, but until then the directors had the experience of contemplating a loss which would have approximately equalled in amount the total deposits.¹

The mid-year statement of December 31, 1859, is thus significant as showing the small scale of operations at that date, and also as embodying a profession of faith on the part of the first directors. Six months later (June 4, 1860) the shareholders held their first annual meeting at the new town hall in Sherbrooke, and were gratified to learn that the business of the first year showed a profit. To be sure the interest due on municipal loan debentures taken in payment for stock had not yet been received from the Government, but as the due date was only May 31—four days before the meeting at Sherbrooke—this act of omission on the part of public authority seems to have caused no alarm. Counting the debenture interest a good debt, the gross profit for the year amounted to \$11,155.02—representing business which had been transacted

¹The Board was thrifty enough to make the cashier, "under the circumstances," pay the reward of \$300, which had been offered in his name for the recovery of the money.



NOTES OF THE EASTERN TOWNSHIPS BANK

(See Appendix XII.)

at Sherbrooke, Waterloo, and Stanstead. From this amount was to be subtracted a sum of \$3,331.09, which included the salaries of the cashier and the two branch managers, besides the tax on circulation. The net profit of \$7,823.93 proved sufficient to warrant the payment of a dividend at the rate of six per cent. per annum.¹ The amount expended on engraving plates for bank-notes, and for safes and other charges incident to starting the bank, was put down at \$4,719.50, and provision was made to pay this sum off in four equal amounts.

It is clear from the first annual report that at the outset branches were opened on a request from the people of the village or district under the form of a signed petition. The branch at Waterloo had begun business simultaneously with the head office at Sherbrooke, but that at Stanstead was only opened on petition "from many persons of responsibility." "Latterly again," says the first annual report, "another petition has come in from the county of Missisquoi, requesting the establishment of a branch in that district, and after much correspondence on the subject, the president, accompanied by one of the Sherbrooke directors, visited the county last week, with the view of giving personal attention to the claim. As yet, however, no further action has been taken in the matter.

"In bringing these points to the notice of the proprietors, the directors desired to show how generally in the Eastern Townships the want of such an institution has been felt, and how widely spread is the confidence of the public in the soundness of their basis.

"This must prove satisfactory to the proprietors, when it is borne in mind that it required no small amount of perseverance and courage on the part of the promoters to carry the measure through in the first instance.

"The bank is in correspondence in Montreal with the City Bank, where its notes are redeemed at par, and in Boston with the Exchange Bank of that place."

¹Dividends were paid semi-annually until June 1, 1906; thereafter they were paid quarterly.

Besides this indication of the way in which branches were opened, the first annual report shows a trace of primordial conditions in its reference to a lack of auditors. "The accounts as submitted in the annual statement have not been audited, owing to there not having been proper officers appointed for that purpose. It will be the duty of the proprietors to appoint two or more persons as auditors, who shall not only act for the past, but shall remain in office for the ensuing year, so that in future the statements exhibited at the annual meeting may be audited before being submitted to the proprietors." As for the routine of business, "the average amount of loans per week has been \$13,736, and in distributing the loans, the directors have, in all instances, endeavoured to accommodate proportionately all their customers, and trust that even when for a time obliged to lay aside good paper, their friends will give them credit for an impartial administration."

Finally, to throw additional light upon the trial trip of the Eastern Townships Bank, the general statement as of May 31, 1860, is given in full:

LIABILITIES.

Capital.....	\$133,415 00
Circulation.....	135,152 00
Deposits not bearing interest.....	4,749 93
Deposits bearing interest.....	1,798 09
Profit.....	11,155 02
	<hr/>
	\$286,270 04
	<hr/>

RESOURCES.

Specie.....	\$ 33,195 97
Bills of other banks.....	4,018 00
Loans.....	179,006 44
Due from banks.....	8,049 63
Government securities.....	62,000 00
	<hr/>
	\$286,270 04
	<hr/>

In the task of building business and winning confidence for a new enterprise, Colonel Pomroy had in his Board of Directors a group of men who were well fitted to render valuable aid. Charles Brooks, the vice-president, belonged to a family which had long before distinguished itself in Massachusetts, and was there closely allied with the great house of Adams. G. K. Foster, of Richmond, was probably at that time the richest man in the Townships. J. H. Pope was, at a later date, to become a figure of national importance as Minister of Railways, and the most valued counsellor of Sir John A. Macdonald. H. L. Robinson, of Waterloo, was one of the early manufacturers of the district, and a staunch Liberal, well grounded in his convictions. A. A. Adams, of Coaticook, had won high standing by the character of his business methods and by his success. All these were natives of the Townships. The only member of the Board who could be called a newcomer was R. W. Heneker, of Sherbrooke, an Irishman by birth and an architect by training, who had just come to Canada as Commissioner of the British American Land Company. Throwing himself with zeal into the life of the Townships, Mr. Heneker became a constructive force, alike in business and education. After the retirement of Colonel Pomroy in 1874, he was chosen president of the bank, and held this office until 1902, when he left Canada to spend the remainder of his days in England. Besides filling the highest executive office in the bank for twenty-eight years, Mr. Heneker was also Chancellor of Bishop's College.

In this reference to the Board of Directors as originally constituted, there is one further name which must on no account be omitted from a statement which pretends to review the annals of the Eastern Townships Bank. The first cashier, W. S. Foster, had held office for only about eighteen months. On his withdrawal the vacancy was filled for a short time by the appointment of W. R. Doak, of Compton. On Mr. Doak's resignation (June 1, 1861) the post of cashier was entrusted to William Farwell, who from 1861 until 1912—over fifty

years—continued without a break to maintain his connection with the bank in an ever ascending series of offices. At first he was cashier. Then with the growth of the institution his style was changed in 1878 to general manager. In 1902 he succeeded Mr. Heneker as president, and this post he filled until the union of the Eastern Townships Bank with The Canadian Bank of Commerce. What he accomplished can only be measured by the nature of his responsibilities throughout so long a period, and the strength of the hold which the bank gained upon its constituency during the time when he was in actual charge of its affairs.

With such a personnel in control of its policy and daily transactions, the Eastern Townships Bank entered upon its task of effecting the economic unification of the territory which it served. The very existence of the institution implies that this region, which seventy years earlier was unbroken forest, had reached a stage of advancement which called for the creation of some financial machinery. To that extent the bank was an effect. But once called into being, it hastened to react positively upon its surroundings by stimulating enterprise and removing a grievous handicap. To state the case with complete exactness, the incorporation of the bank was in the first place a symptom of that general forward movement in the Eastern Townships which was so marked between 1855 and 1866, a movement which also expressed itself in the founding of academies and the inception of railway projects. But once created, the bank became in turn a cause of still greater commercial activity and business initiative.

It may be doubted whether any part of eastern Canada has been more benefited than the Eastern Townships by railway building. The merest glance at its physiography shows that it has no trade exit by water. Some of its streams are large enough for lumber drives, but none of them can be called by the utmost stretch of the imagination an arterial trade route. Every writer who has described the state of the Townships prior to 1850 is eloquent on the subject of the bad roads,

except in a few spots where the conditions for road building were naturally favourable. The construction of the Grand Trunk Railway from Montreal to Portland was a work which stimulated business, not only along the route followed, but throughout the hinterland on either side. And although the Grand Trunk was financed by English capital and had an English management, its very existence prompted that local resolve to spread railways throughout the Townships, which, in turn, was so greatly stimulated by the public spirit and determination of the Foster family. Here it is enough to point out that the solid success of the Eastern Townships Bank was based on the rapid improvement of general conditions throughout the southern portion of Quebec, and in searching for the cause of this unmistakable general advance we see at once the transformation of transportation between 1855 and 1875. The Grand Trunk, the Stanstead, Shefford and Chambly, the South-Eastern, the Massawippi Valley, the Central Vermont, the Quebec Central and the Orford Mountain Railways all played their part in helping to strengthen the foundation upon which the bank had been built.

Among other economic forces at work in the Eastern Townships during these first days was the effect produced by the American Civil War. Apparently the directors of the bank did not possess a very lofty opinion of Lincoln in the months which first followed his transfer from Springfield to Washington, for in their report of June 3, 1861, they say: "The past year has been one of trial to the country. The state of affairs amongst our neighbours, succeeding the late presidential election, has gone from bad to worse, ending in that awful calamity to any country—civil war. Business of every kind has been more or less affected and markets have been unsettled. A panic prevailed for a time, and many of the southern and western banks of the United States stopped specie payments."

In these circumstances a policy of extreme caution was plainly indicated, and the same report goes on to say: "The directors feel that it is next to impossible at the present time

to foretell what the effect may be on the business of Canada. The Eastern Townships look to New England as their best market, and anything tending to upset business there, must affect the price of produce here. On the other hand, the supplies required for the maintenance of large bodies of troops in the field may cause some stir amongst our producers. The policy of the bank in the meantime must be that of extreme caution, and the directors feel assured that the proprietors and the public will give them credit, even should they for a time be obliged to restrict their loans, for desiring to do the best for the interests of all."

At the same time the strength of the institution was felt to be such as to warrant the payment of a four per cent. dividend for the half year.

Twelve months later it became necessary to report that the circulation had been reduced by \$84,000 as a result of the Civil War—in other words, that it had been cut in two, notwithstanding a marked increase in the amount of paid-up stock. Furthermore, "this decrease in circulation, caused mainly by suspension of specie payments in the States, which rendered it impossible to take New England money, excepting at a heavy discount, has obliged the bank to restrict its loans, so that the amount under this head will be found to be less than in 1861 by the large amount of \$38,000."

Besides this reduction in circulation the business of the Eastern Townships Bank felt the effect of the violent fluctuation in American currency which was occasioned by the Civil War. As early as November 14, 1862, Mr. A. P. Ball, the manager of the Stanstead branch, had asked head office for a ruling on silver. This communication drew forth the instruction that henceforth Mr. Ball was not to take United States silver from any person "at a less rate than four per cent. discount until further notice, and to follow the instructions of the cashier with regard to the rate—which must vary according to circumstances. Also that until further notice no States' money be received on any account on deposit."

In June, 1863, the annual report ascribes to the continuation of the Civil War a grave disturbance in American currency, "rendering it almost impossible to foresee the course of business for even a few hours in advance. The price of gold in the States has advanced from a little over par, at which it stood in May of last year, to over, at one time, seventy per cent. premium; and although it has again receded to a more moderate, though still very high figure, yet it is quite possible that it may again advance even in a more rapid ratio than before . . . The difference in value between silver and gold, having led to an enormous importation of silver, has also had a very great effect upon the bank circulation, causing it to recede from even the low figure at which it stood at the last annual meeting to only \$72,481, the present circulation of the bank—a falling off of over \$16,000, although the capital of the bank has in the meantime increased."

A further interesting reference to currency is made in a report of a visit of the president and vice-president to the Waterloo branch, dated November 1, 1864. "The manager informed us that it was not his practice to discount in silver, but that he was generally able to sell silver at a slight advance over the rate of purchase, but in no case did he pass it off at par. A great amount of business is done in silver, so that the profits on the sale, although small in each transaction, pay well in the aggregate. A proposition of A. B. F— was submitted in relation to his note of \$20,000, for which the bank, as part collateral security, holds \$16,000 United States currency. Mr. F— offers to give us at present the name of H. S. F—, and in addition two of the best names in Vermont, and to withdraw the United States currency. We think this a better security, provided the names offered be found as good as Mr. F— says they are, than the United States currency now on deposit, and we recommend its being agreed to on the understanding that the total loan be gradually reduced within the amount allowed by the bank by-laws."

On December 1, 1864, it was resolved "that the parent bank and branches are not to be allowed to receive American money on deposit, and that all States' money accounts now in existence be closed forthwith."

The annual report for 1865 reflects a readjustment of book-keeping methods in dealing with American currency. "The contingent fund has been drawn upon during the year in consequence of the sale of the American money, the premium on which had been previously carried to profit." As an inroad upon the contingent fund might have raised a doubt in the minds of shareholders, the report continues: "It is satisfactory to the directors to be able to state that they have made no real loss in their dealings in United States paper."

It is quite clear from the bank's records that those inhabitants of the Eastern Townships who expected sudden enrichment from the American Civil War were astray in their reckoning. The annual report for 1862 defines the local situation thus: "The result of the American War so far on the trade of the Eastern Townships has surprised and disappointed many of the oldest heads and soundest thinkers of the country—for although it was known that manufacturers must stop for a time—and trade to a certain extent be suspended—yet there was reasonable ground for supposing that all articles of food would be in the greatest demand owing to the maintenance of such enormous armies in the field and the waste attendant upon the operations of war. Instead of this, produce of all kinds has ruled lower than has been known for years, and nothing but the bountiful hay crop of last year—large beyond precedent—has saved our cattle market from a very great depreciation. The Eastern Townships do not stand alone in being thus afflicted by the low prices of produce; some accounts from the west indicate a really frightful state of affairs—corn burnt for fuel—the price not being sufficient to cover the cost of shelling and transport to the railway; and similar low prices for beef, pork and every article of produce. Fortunately for the Townships, the



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Quebec market required much larger supplies than usual owing to the greatly increased amount of shipping which was attracted to the St. Lawrence—and the Sherbrooke cattle market, inaugurated last year, concentrated a trade which would otherwise have been spread over the whole surface of the Lower Province.”

To sum up, the political disturbances of the United States neither made the fortune of the Eastern Townships Bank nor enriched the community which it served. As late as 1863 the Civil War was felt by the directors of the bank to be the one fly in the ointment. Let peace be declared and the Eastern Townships must inevitably make rapid advance in population and wealth. The special cause for the optimism thus expressed may be found in the high hopes which had been excited by the discovery of copper. “The discoveries of copper and other metals have drawn great attention to the country, and a large amount of capital has been already invested in mining, with the prospect of its being greatly increased. These discoveries have added one new link to the chain of undeveloped wealth which the Eastern Townships possess. With the possession of rich mines of the industrial metals in combination with great manufacturing capabilities and excellent farming land, it would seem that time alone is required to bring these resources into play, and make the country prosperous and independent in a high degree.”

In 1864 mines are still to the fore in the annual report and much less is said about the troubles in the States, though at exactly this date things were looking so dark for the cause of the North, that the practical politicians of the Republican party considered Lincoln doomed to defeat if he entered another presidential contest. Yet the bank's circulation remained low, and in 1865 it is noted that little change for the better could be expected until the resumption by the United States of specie payment. On the other hand, trade in general throughout the Townships had benefited by the termination of hostilities. “American dealers are again seen on the

market for cattle and produce, and should the price of gold continue to fall, a healthy revival of trade for the staples of industry may not unreasonably be looked for. At the same time gold has been added to copper among the metals for which quest is being made in the Townships.

"The mining industry of the community, so seriously affected within the last twelve months by the great rise in the value of gold last summer and autumn, did not at any time wholly cease to induce the investment of new capital, but of late a new impetus seems to have been given to a healthy resumption of operations, by valuable discoveries in the Massawippi Valley, and the formation of working companies in that locality. Gold mining seems also likely to attract capital, and if found remunerative, must greatly advance the well-being of the community in its neighbourhood, as there seems but little doubt that organized companies will be required to obtain the precious metal rather than mere individual labour."

These passages, excerpted from the annual reports of the Eastern Townships Bank during the years of the Civil War, reflect faithfully some of the main conditions which governed finance in that English portion of Quebec which, bordering for a long stretch upon New England, was intimately bound up with it through trade. After the surrender of Lee, business in the Townships improved quite according to anticipation. In 1866 the bank's circulation was still below normal, and there could be no real remedy until the resumption of specie payment by the States put an end to the deluge of silver in circulation through the Townships. Otherwise, all seemed for the best in the best of all possible worlds. "The directors believe the country was never in a better position financially than at the present time, owing, under a kind Providence, to the bountiful crops of 1865 and the large and remunerative prices realized by our producers for their surplus cattle and produce, not only for export to the neighbouring States, but also to the mother country."

While unwonted prosperity was thus coming to the Eastern Townships, 1866 brought trouble and distress to England. Not only was this year marked by the disastrous failure of Overend, Gurney and Company, but a wave of general depression swept over the whole of Great Britain. Sir James Stephen's letters to the *Saturday Review*, and Matthew Arnold's apostrophe to England as "the weary Titan," furnish a striking contrast to the physical well-being which at the same moment came to the English farmers of Quebec. Yet an echo of the British panic is to be found in this passage from the annual report of 1866: "The recent terrible revulsion in England, which from the latest accounts would appear to be gradually subsiding, we do not apprehend will have any serious effect upon the finances of Canada, although from the intimate commercial relations between us and the mother country we must necessarily be more or less affected by the prosperity or adversity of that country financially; still from the present strong position of our banks and merchants no great stringency is to be apprehended from these troubles; it is but wise, however, to guard against any possible straits arising from the present or any other difficulty on the other side of the Atlantic by keeping our matters well in hand."

One further item of general historical interest belongs to the same moment—the excitement which was caused along the border by Fenian raids, with the rumours regarding them which were so much more grandiose than the raids themselves. Colonel Pomroy, besides being a bank and railway builder, was a conspicuous figure in the militia. Hence at such a juncture he could not fail to be active. "During the 'Fenian excitement' the president visited the branch at Stanstead, and the vice-president the branches at Waterloo and Stanbridge, to see that all the surplus funds, not absolutely needed for daily use, were removed for safety to the city depository, which was at once attended to, and also a considerable sum from the home bank was sent off at the same time. The bank offices were put in as safe a position as possible, and the

employees armed to meet any ordinary emergency that might arise, but happily no opportunity has been given to put these precautionary measures to practical test, and it to be hoped that the renewal of this attempt, culminating in an attack on Canadian soil, will meet such a prompt and decisive repulse as to put an end to any like attempts in the future.”¹

With 1867 it becomes clear from the records of the bank that business in the Townships was broadening out. Hitherto the main sources of revenue had been agriculture, lumbering and mines. Now industrialism begins to make itself felt to a degree which excites comment. “The directors see with

¹In addition to this general passage from the annual report for 1866 some further details may be cited regarding the precautions which the Bank took at the time of the Fenian incident. A report on the Waterloo branch for November 27, 1865, states that as a safeguard against the risk of raids from the United States two men, well armed, sleep in the bank and the keys are never kept there overnight. As a further means of averting risk the manager was instructed to discontinue the practice of allowing customers the use of the safe for the deposit of United States bonds for safe-keeping, on the ground that “the more valuable the contents of the safe, the greater inducement there will be to raiders or burglars.” Coincidentally with this report on Waterloo the Board passed a resolution that “owing to the present state of insecurity on the border it is advisable that the branches at Stanstead and Stanbridge be required to remove the greater part of their securities, bills and coin to Sherbrooke, Waterloo, or Montreal, and that the managers of the Stanstead and Stanbridge branches be instructed to continue the business of the bank by giving drafts, with or without charge, as the case may admit, on the nearest office of the bank, with the view of retaining in their possession only the smallest amount absolutely necessary to keep open the bank.” Also “that Mr. Robinson of Waterloo be requested to proceed to Stanbridge to assist Mr. Baker in carrying out this resolution, and that Colonel Pomroy, now at Stanstead, be likewise requested to aid Mr. Ball for a similar purpose.”

On February 27, 1866, the cashier was instructed to cause \$200,000 in Eastern Townships Bank bills “to be enclosed and sealed up in a tin box and forwarded to the City Bank for safe-keeping, as soon as he can correspond with said City Bank, and agree upon the most favourable terms they will take charge of the same, with guarantee, if possible.”

Ten days later the Eastern Townships Bank sent by express to the City Bank its specie reserve, amounting to between \$10,090 and \$12,000.

A justification of such precautions was afforded by the attempt made at this juncture to burglarize the Stanbridge branch—an attempt which was frustrated with great skill and heroism by Mr. W. I. Briggs, then assistant to the manager at Stanbridge. In recognition of “coolness and courage” the Board on March 13, 1866, voted Mr. Briggs its special thanks, together with the sum of \$50.



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pleasure the gradual development of manufacturing industries throughout the country, established, as they believe, on a sound basis. In the town of Sherbrooke, at Coaticook, Waterloo, Danville, and other places, a spirit of enterprise seems to have shown itself in a more marked manner than at any other previous time. This development of manufacture necessarily demands increased banking facilities, so that the shareholders may feel perfectly confident that an ample field exists for the profitable employment of their capital The opening of slate quarries also, and quarries of flag stone, seem gradually to be drawing more and more attention to the great and varied resources of the Eastern Townships, only awaiting systematic working on a sound basis of skill and capital to render them profitable." This diversification of industry came at an opportune moment, for the crop of 1866 had not been good—though even here there was compensation in the high price of cattle caused by a strong demand from the States despite the abrogation of the Reciprocity Treaty. Singularly enough Confederation receives no mention whatever in the annual report for 1867, although it was presented to the shareholders just four weeks before Dominion Day. It is noted that the Montreal account of the bank has been transferred from the City Bank to the Bank of Montreal, on the ground that this is the government bank;¹ but to the momentous political changes impending there is not the faintest allusion. Doubtless this omission should be taken

¹The Bank of Montreal also had the London account of the Eastern Townships Bank for some time. But in 1876 Mr. Heneker negotiated a transfer to the London and County Bank. The account remained in this institution until December, 1883, when it was transferred to the National Bank of Scotland. The New York account was placed with the National Park Bank in 1870, and remained with it until the end, although in 1903 a second account was opened with the Corn Exchange Bank. Prior to 1870 the business of the Eastern Townships Bank in the United States had been conducted mainly through the Exchange Bank of Boston, which became the National Exchange Bank in 1869, after the introduction of the National Banking System, and was finally merged in the National Shawmut Bank in 1908. This bank continued as the Boston correspondent of the Eastern Townships Bank throughout the career of the latter bank.

to reflect the cautious view then entertained that a bank should have no politics.

A year later, Confederation having been accomplished, the Dominion does receive a word of notice in connection with the subject of banking as presented to the new Parliament. "Much controversy exists on the question, and important action has been taken by the banks of Ontario to endeavour to obtain a renewal of their charters with the same privileges for the issue of bills hitherto afforded them. Your directors have carefully watched the whole course of proceedings, but have abstained from taking any active part in the controversy, feeling that the Eastern Townships Bank is in a measure different from most of the other banks of the Dominion in its position and the nature of its business."

This last statement is very significant, since it shows a consciousness of the special position in which the Eastern Townships Bank was placed by virtue of its isolation and the character of its own special community. During the first decade of its existence deposits had increased from \$4,424.80 to \$135,027.14, but the methods of administration were still the same. The cashier of the bank and its three branch managers knew intimately every man of standing in the zone of their respective responsibilities. It was neighbourhood business—the bank giving accommodation to the industrious and thrifty but denying it to others, and with success, because its staff had an intimate personal acquaintance with the borrowers, their antecedents, their resources, and their character. It may be doubted whether any financial institution was ever in closer touch with its customers, or whether personality ever bulked larger in the transactions entered into by branch managers. In such a community those who can be trusted are well known, and in ninety per cent. of all cases justify the estimate which bankers form of them. The good banker is always a financial guide, philosopher and friend, who more often than not keeps his flock out of trouble by seeing that they do not get over-extended. To know when

to accommodate and when to withhold is a delicate matter, involving high qualities of discernment and much objectivity. Hence even in the largest towns the banker comes very close to those who deal with him. But if this is so everywhere, how much closer becomes the tie in a region like the Eastern Townships as it was from 1860 to 1870—a region where people living together in small groups were thrown into the most intimate relations? Under such circumstances the branch managers of the Eastern Townships Bank came to have an outstanding social and business prominence which they never lost so long as the institution retained its identity. Their methods, dictated by necessity, were justified by the fruits. In any case the directors did not exceed the limits of fact when they said in 1868, that “the Eastern Townships Bank is in a measure different from most of the other banks of the Dominion in its position and the nature of its business.”¹

A large part of the allotted space has been devoted to these opening years for the two obvious reasons, that childhood is a period of immense importance and that the childhood of this institution fell within a very formative period. Closely allied by trade with New England, the Townships could not fail to react strongly to the effects of the Civil War, while at the same moment Canada was undergoing the political crisis which ended in Confederation. During these momentous events the bank thrived and became well established in the confidence of its own people. Successively its capital was enlarged through subscriptions covering eight years, which by 1867 had absorbed all the original stock. Then between 1871 and 1875 the authorized capital was nearly quadrupled—going up in 1871 from \$400,000 to \$500,000; in 1872 from \$500,000 to \$750,000; in 1873 from \$750,000 to \$1,000,000; and in 1875 from \$1,000,000 to \$1,500,000. It stood at this

¹It is a characteristic fact that in 1902 an appropriation was made for medals to be offered annually “to the high schools or academies of the Eastern Townships for the purpose of showing the bank’s interest in the educational work carried on, and also that the bank might be kept prominently before the young people of the Townships.”

last figure until 1900, when a further enlargement to \$2,000,000 was made. Finally in 1903 the authorized capital was increased from \$2,000,000 to \$3,000,000, and by successive stages from 1903 to 1907 the whole of this amount was issued.¹ From that date forward until the union with The Canadian Bank of Commerce there was no further increase in capital—though had the bank continued its separate existence, a considerable further increase would have been required in connection with an effort to extend in western Canada.

To return to our chronological survey of the bank's progress, it should be noted that immediately following Confederation came seven fat years, which were then succeeded, as though on strict Biblical analogy, by seven years of extreme leanness. Until 1874 the record shows a constant and rather striking increase of circulation, deposits, loans and profits. Everything seemed to prosper, and in 1871 the annual report optimistically predicts that Sherbrooke "will very shortly become the most important seat of manufacture in the Dominion outside of the city of Montreal." Considered as a whole the annual report for 1871 comes very near being a pæan—although it is a contradiction in terms that bankers should ever really indulge in an unmitigated pæan.

"The directors in again meeting the stockholders at the end of the financial year have pleasure in being able to submit a statement of profits which far exceed the result of any year in the history of the bank. . . . Two principal causes have contributed to this result, namely, the withdrawal of what was called 'the silver nuisance,' which has mainly affected the circulation, and the increased prosperity of the country, as shown in a great degree by the deposits. It is pleasing to notice that this increase of prosperity has not been confined to this part of Canada, but seems to have pervaded the whole Dominion, and the improved quotations of bank stocks show that the public are impressed with a sense of the secure position

¹The new issues of 1871, 1872 and 1873 were put out at par; that of 1875 at 105; that of 1900 at 140; that of 1903, half at 150 and half at 160.



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of the banking institutions of the country. The stock of the Eastern Townships Bank has steadily advanced in value, but the quotations have been purely nominal, there having been no desire evinced on the part of holders to part with their stock at what a few years ago would have been deemed an extravagant price.

"The spirit of enterprise seems abroad in every part of the country, and if kept within due limits, and employed in productive works, the effect must be that the money expended will come back to the country in a manifold degree. There is always, of course, a danger of over-speculation, but no symptoms are at present apparent of this disease of the body politic."

From 1867 to 1874 the advance in profits was as follows:

1867.....	\$ 38,471	1871.....	\$ 68,791
1868.....	48,192	1872.....	82,339
1869 ¹	43,531	1873.....	134,949
1870.....	51,723	1874.....	129,163

Then came a turning of the tide, and the fortunes of the Eastern Townships Bank languished for a time, less from errors of policy and administration than from world conditions which affected the Dominion in all its parts. Every one recognizes that reactions are inevitable, and at the commencement of this depressed period the directors of the bank expressed through the annual statement a hope of betterment in the near future. Unfortunately things went from bad to worse, through stagnation attendant upon the weakening of credit—a general world lassitude in the economic sphere. From 1876 to 1891 there was no moment when it seemed desirable to pay a semi-annual dividend of five per cent. as was done in 1875. The task at that juncture was not to make large profits but to do business at all without running into pitfalls. Year after year attention is called to the continuance of depression and to the difficulties by which the conduct of

¹In November, 1868, the Board began to make appropriations for specific bad debts. No trace of this appears in the minute books at an earlier date.

the bank's affairs is surrounded. Naturally there were some losses, together with a general shrinkage in the value of sound securities. At the lowest point of reaction it was found desirable, if not necessary, to perform an act of surgery upon the reserve, which had grown to the respectable figure of \$300,000. In 1879 this was reduced to \$200,000, the reasons assigned by the directors for their action being stated thus in the report for that year:

"During all this period the task of managing a banking institution has entailed very great responsibilities. Even in cases where the business was apparently safe and well conducted, losses accrued through the failure of others, and each day the money and commercial articles of the Montreal papers have been scrutinized with dread. In the meantime, also, the value of all classes of property has diminished, and although a general feeling exists that the worst of the crisis is past, yet without a much more clear view of the future prospects of trade, it would be unwise in any institution to withhold the pruning knife so as to endeavour to bring its securities within the compass of the present values as nearly as they can be estimated. The shareholders will recognize the principle that over-valuation is of no service to an estate, but may become a serious evil.

"The directors at their meeting yesterday declared a dividend of three and one-half per cent. for the half year, making in all seven per cent. for the year. This dividend, with a considerable sum in addition thereto, has been fairly earned, and the directors feel that the shareholders are entitled to receive it at their hands.

"The profit and loss statement shows clearly how the losses for the year and the depreciation in values have been provided for. If the reserve fund has been drawn upon, yet the shareholders will see the importance of such a fund and it will be a subject for congratulation that the large sum of \$200,000 remains intact of this fund, equal to nearly fourteen and one-half per cent. of the paid-up capital."

The minute runs that "after the president, Mr. Heneker, had moved the adoption of the report, a very interesting and critical but not unfriendly discussion followed, mostly conducted by Mr. J. B. Paddon, Mr. L. E. Morris, Rev. A. C. Scarth, and Hon. J. G. Robertson, on the part of the shareholders, after which, upon the motion of Hon. J. G. Robertson, seconded by Rev. A. C. Scarth, the report was unanimously adopted and ordered to be printed for distribution."¹

It is perfectly natural that at such junctures some shareholders should have an attack of nerves, but in this case the timid were not kept long on the anxious seat. To be sure, the profit for 1880 (\$93,210) was lower than that for any twelve months since 1872, but thereafter the recovery was prompt and the improvement steady. In 1881 it became possible to put back into the reserve \$20,000 of the \$100,000 which had been

¹In connection with the revision of the Bank Act in 1880 the following additional extract from the annual report of 1879 possesses a special interest:

"Before proceeding to the election of directors Mr. E. T. Brooks, M.P., drew the attention of the meeting to the probable discussion that would ensue at the next session of Parliament on the renewal of the Bank Act of the Dominion, and in order to be prepared for any discussion, and that their representatives might be made aware of their wishes respecting any amendments or modifications in the Act, he suggested that a committee of the shareholders, with the president of the bank as chairman, be appointed to prepare a draft of any such changes or modifications, and that they be submitted to a special general meeting to be called for that purpose prior to the meeting of Parliament. This suggestion was adopted by the meeting, and on motion the following shareholders were appointed as such committee, viz., the president, Mr. R. W. Heneker, Hon. J. G. Robertson, Mr. E. T. Brooks, M.P., Dr. R. N. Webber, Mr. John Thornton, Mr. J. B. Paddon, and Mr. L. E. Morris."

The special general meeting of shareholders to consider the report of the committee was held on January 21, 1880. The proceedings follow:

"The general manager having read the notice calling the meeting, on motion of Lt.-Col. King, seconded by A. A. Adams, R. W. Heneker, the president, was elected chairman.

"On motion the general manager was elected secretary of the meeting.

"Mr. Heneker as chairman of the committee appointed at the annual general meeting then submitted their report, and moved its adoption clause by clause, the report to be filed among the records of the bank.

"1. The mode of considering the question in its double aspect of 'the working of banks' and 'currency' was unanimously approved. Taking the classification as to the first division:

written off two years earlier, and in 1883 the reserve was not only back at the former high water mark of \$300,000, but had reached \$350,000. From that date forward there was no reaction, and in almost every year the reserve was materially strengthened.

In other directions the years brought with them signs of growth. At the outset directors had been denied fees under Article 12 of the charter. Manifestly this was a wise measure during a period when it remained to be proved whether the bank would sink or swim. After ten years, however, this question was well out of the way, with the result that when the new Bank Act became operative in 1871, power was taken to remunerate members of the Board. At the same time, the maximum number of directors was raised from seven to ten. In 1875 a revised code of by-laws was adopted, one of the new provisions being that \$3,500 should be appropriated annually for the remuneration of the directors, to be

(a) Limitation of loans to directors.

The proposition to limit loans to directors to twice the amount of their stock was lost on a division.

It was unanimously resolved that loans to directors exceeding in amount their paid-up stock should in no case be granted excepting on the authority of a majority of the Board of Directors.

(b) Voting by proxy.

The resolution that directors shall not hold proxies excepting from shareholders living outside of the Dominion was lost on a division.

It was unanimously resolved that no proxy shall be valid for more than two years.

(c) Change in the directorate.

Mr. Morris' proposition as embodied in the report was lost on a division.

(d) The resolution embodied in the report was lost on a division.

(e) Secrecy as to personal accounts.

The whole of this clause of the report lost on a division.

(f) Audit and inspection.

It was thought advisable by the meeting that no action be taken in the matter. The president gave full explanations of the mode of conducting the business of the Eastern Townships Bank, and which was deemed satisfactory by the meeting.

"2. As regards this division of the subject, the report was adopted without change."

distributed by them as they saw fit. Later on these fees were enlarged, until eventually they reached the sum of \$1,200 per year, payable to each member of the Board.

This increased provision for the directors shows an intelligent disposition to recognize the fact that the labourer is worthy of his hire, and it is also a sign of the transition from a provisional stage to more solid conditions. Coincidentally with its enlarged scope of operations the Eastern Townships Bank made more adequate provision for employees through the creation of a pension fund. This subject first appears in a minute of December 2, 1886, and steps were taken soon after to procure a Federal charter. At the annual meeting held June 5, 1889, the establishment of a pension fund was approved by the shareholders. At the beginning of 1890 the Pension Fund Society commenced operations with a degree of co-operation from the bank itself which is represented by this minute of January 9:

“On motion by president Heneker, seconded by vice-president Stevens, it was unanimously resolved: That in view of the action taken by the employees of the bank in organizing a Pension Fund Society under 50 and 51 Victoria, chapter 21, statutes of the Dominion of Canada, and under the powers conferred upon the Board at the general meeting of shareholders of the bank held on the fifth day of June now last past, and in order that said society may be established on a solid financial basis, the Board hereby undertake and agree to contribute the sum of five thousand dollars annually during the next ten years in aid of the society, the first instalment of which shall be payable to the treasurer of the society at once, and the remaining instalments on the second day of January in each year until the ten instalments are fully paid.

“Moved by director Wood and seconded by director Mansur:

“It was unanimously resolved that inasmuch as it will be in the interest of the bank that the Board of management of the Pension Fund Society of the Eastern Townships Bank should be relieved of the trouble and time required to properly

and safely invest and manage the funds and collect the revenue of the society, the bank should consent to receive such funds as a special deposit and will allow interest thereon at the rate of five per cent. per annum, interest to be credited in the account semi-annually."

Broadly speaking, the period from 1885 to 1900 witnessed a marked transition in the affairs of the Eastern Townships Bank, accompanying the notable expansion in its transactions. This change is not illustrated to any marked degree by an increase in the number of branches. After twenty years of existence there were only seven, and after forty years, only twelve; but it was between 1885 and 1900 that the bank came to close grips with the problems created by the growth of industrial interests in the Townships. These were years which brought experience in the granting of credit on a scale far beyond the limit of early operations. Article XIV. of the original by-laws provided that no person or firm should be indebted to the bank for more than \$10,000. In 1888 a new by-law—Article XI. of the revised series—ordained that "any loan or loans to any one party or firm in excess of the sum of \$50,000 shall first receive the approval of at least four members of the Board of Directors," and later the question of granting still larger credits against merchandise secured by pledge under what is now section 88 of the Bank Act became a subject for keen discussion by the executive, for while the great broadening out had not yet begun, the new conditions were well in sight and had already to be reckoned with.

A further development of this period was the opening of branches on a larger scale than during the early years of the institution, and under circumstances which differentiate these later branches from such original outposts as Stanstead and Waterloo. At the time when capital was being raised to launch the Eastern Townships Bank, the people of a given locality knew that a subscription for shares was a condition precedent to the opening of a branch in their midst. This may be seen from a minute of June 7, 1859:

"Mr. Robinson informed the Board of the desire of the inhabitants of the District of Bedford to obtain an agency in said District, whereupon it was moved by Mr. Adams, seconded by Chas. Brooks, and carried:

"That this Board is anxious to afford every facility for the establishment of an agency in the District of Bedford, and that toward attaining this result they require that \$100,000 be subscribed toward the capital stock of the bank in said District.

"They are, moreover, willing to organize the agency in question as soon as \$50,000 is subscribed and ten per cent. on said \$50,000 paid up. They will also grant banking facilities equivalent to the amount subscribed in said District, and furthermore are prepared to approve and accept any local Board or committee which may be named by the stockholders of said District for the management of said agency, subject to their being under the general direction and control of this Board."

The branch in question was Waterloo. While local capital was thus given to understand that it must show public spirit before a branch of the bank could be placed at its service, the local shareholders expected to have a voice in the management of the branch. For example, the commencement of business at Stanstead Plain was attended by the selection of a local Board of Directors who conferred with the manager of the branch on all matters of importance. So little centralized was the institution at this stage that the shareholders in Stanstead county nominated Albert Knight, John Gilman and C. W. Cowles as local directors, and A. P. Ball, of Sherbrooke, as manager of the proposed branch. It is part of the minute that the cashier is requested to write the directors who were not present, asking their opinion in reference to the selections made by the local shareholders, "to be laid before the Board at as early a date as possible."

Occasionally it happened in the early days that, even where a branch had been opened in consideration of a local subscription to shares, circumstances arose which made it desirable to close the branch. A rather striking illustration is afforded by

certain events which occurred at Stanbridge from 1867 to 1869. On June 25, 1867, a written report of the president of the bank to the cashier led to the decision that the Stanbridge branch be closed, on the ground of bad debts incurred by the manager. Clearly this action did not represent a spirit of high-handed centralization, for the record shows that the subject was raised through "the express wish of the shareholders," obviously meaning the local investors whose subscriptions to stock had made it possible for the branch to be opened.

On May 5, 1868, another report was submitted of a meeting of the president, Mr. Heneker, with about seventeen of the local stockholders at Stanbridge, for the purpose of consulting with them as to the proposed closing of the branch. The stockholders asked that it be continued under new management, with a local Board of Directors, and the question was held over for the consideration of the incoming general Board of Directors. It was apparently decided to keep the branch open, since on October 1, 1868, new and improved premises were rented for ten years, at \$150 per annum. However, at the annual meeting in 1869 the announcement was made that the branch had been closed and the business transferred to Waterloo.¹

¹As late as 1893 the Board continued to expect very positive encouragement from any community which made overtures for the opening of a branch. This can be seen from the following minute of December 5, 1893:

"The president reported to the Board that, in accordance with instructions of the directors at their meeting on the 7th June last, in company with directors Wood and Tuck and the general manager, they had visited the town of Cookshire for the purpose of deciding upon the question of the advisability of opening an office of the bank there. They were met by a goodly number of the citizens and were shown about the place, after which the matter was discussed. The committee found considerable life and activity about the place, and an evident determination to have a branch of some bank established there; and while it was a question whether there would be sufficient business there to support a branch office at first, yet they had come to the conclusion as a matter of policy it would be advisable to open an office there, rather than have another bank do so.

"The people were therefore informed that if they would furnish a satisfactory office at a fair rental, the bank would place an agency in their town, and measures were now being taken by the inhabitants there to provide such an office."



NOTES OF THE EASTERN TOWNSHIPS BANK

(See Appendix XII.)

A good deal could be said about the various branches which were added to the structure of the Eastern Townships Bank; for example, the taking over of the Sherbrooke agency of the Consolidated Bank in 1879, under a proposal made by the president of that bank, Sir Francis Hincks; and the purchase of the Bedford branch from the Exchange Bank in 1883. Of greater significance is the light which the minutes and regulations throw upon the status, duties, and responsibilities of branch managers during the initial period.

It is a sign of primitive conditions that at first the branch manager was expected to cut his coat according to his cloth, and this in the most literal manner. The normal expenses of the branch were set down at a fixed figure, and the manager received a lump sum, varying from \$800 to \$1,000 a year, with which to defray salaries, rent, fuel, light, and all other items.¹ Where clerical help was required, the local Board of Directors gave special authorization, and great care seems to have been taken against an undue light-heartedness on the part of the branch managers in providing themselves with assistants. On June 3, 1867, a resolution was passed that "hereafter no person be employed as assistant at the parent bank or any of the branches except by appointment of the directors, and to be paid by the bank."

All officials were placed under bonds, and at figures which seemed very high, whether in comparison with the scale of operations during the first decade of the bank's existence or with the practice of the present day. The managers were bonded for \$10,000 or \$20,000, whereas in The Canadian Bank of Commerce today the limit is \$10,000. On December 3, 1867, a junior with a salary of \$250 was bonded for \$5,000, whereas now a corresponding figure would not be more than \$2,000.

Such facts as these will serve to illustrate the limitations which were placed upon the development of the banking

¹Until December, 1873, the salaries of the officers of the bank were paid half-yearly. Thereafter they were paid monthly.

system of the Eastern Townships Bank during these early days. Broadly speaking, the Eastern Townships Bank did not look outside the Townships for business until 1895, when a branch was opened at St. Hyacinthe. Subjoined is a passage from the succeeding annual report which touches upon this new departure:

"The St. Hyacinthe branch was opened last autumn, after careful thought and consideration, at the solicitation of many business men of that city. It is the first instance of an extension of the business beyond the limits of the Townships into a district which had, up to that time, been served entirely by Montreal institutions and a local bank. The greatest confidence was expressed in the system of management of the Eastern Townships Bank, and a prosperous career for it was foretold, bringing benefit to the people of that city. The directors are happy to be able to report that the experiment has been, so far, successful. The bank was welcomed by the citizens, deposits to a considerable amount have been secured, and satisfactory business relations have been established with firms of high standing and respectability."

Three years later came the opening of the branch at Grand Forks, British Columbia, the pioneer of the Eastern Townships Bank in western Canada. This incident receives notice as follows in the report for 1899:

"The shareholders cannot but be aware of the fact that the gold-bearing region of British Columbia is being very largely developed, and after careful consideration the directors have come to the conclusion that it would be wise to open a branch at Grand Forks, B.C., a small town on the direct line of railway, leading into the heart of the mining region. Smelting works are to be established at this point and a profitable business is looked for, which it is intended shall be conducted upon strictly business principles as at other points."

With a branch already established in British Columbia, it must have seemed high time to open one in Montreal, and on December 6, 1899, the decision was reached to take this

important step, although the office was not actually opened until over a year later. Some years earlier a transfer office and register had been established in Montreal, following a petition of Sir A. T. Galt on behalf of the shareholders. In 1899 it seemed to be, and undoubtedly was, the logical step to open a branch at the central point of business for eastern Canada. A decision having been reached, the announcement thereof was made in these terms:

"The directors have the pleasure to report that, acting under the authority of the shareholders, they have opened a branch in the city of Montreal, the commercial metropolis of the Dominion. There was some delay in this respect, due to the difficulty of securing a site suitable for the business at a moderate cost. The site chosen lies in the centre of the city, on St. James Street, in the Temple Building, which is situated about midway between the Place d'Armes and Victoria Square. The office has been fitted up with all proper bank appliances, and it is hoped that any shareholder visiting Montreal on business or pleasure will not fail to call at the office, where Mr. B. Austin, who has been selected as manager, and his very competent staff will welcome him. It is very pleasant as well as satisfactory to record also that the bank has received a cordial welcome from the other banks doing business in that city."

At the same meeting which approved the opening of a branch in Montreal it was decided to open a second branch in the west, namely, at Phoenix. This action was taken on the recommendation of Mr. Farwell, the general manager, and Mr. H. B. Brown, Q.C., who had been detailed by the bank to visit British Columbia after the opening of the branch at Grand Forks, and to report upon the prospects for further expansion in the mining region.

Viewed from the administrative side, it is clear that much talent was required to pass, without friction or serious loss, from conditions which were almost purely agricultural to a new order which rested largely upon an industrial foundation. Here the

difficulty was to steer a just course between two vicious extremes—that of withholding credit from new enterprises which were undertaken by men of good standing, and that of carrying these enterprises until they become a load upon the bank. The same subject was presented to bankers all over Canada during the closing years of the last century, but few came through this time of test with results more solid than those achieved by the Eastern Townships Bank. Above all, this institution learned how to cope with new and vastly greater responsibilities without weakening its hold upon the allegiance of its own people. The personal touch which had meant everything in the first days of the bank was maintained, even at a time when the volume of business was thirty times what it had been at the outset.

Then, in the first decade of the present century, the bank swept forward with a rush—as may be seen from the table of statistics on page 498. If these figures are not sufficiently expressive there may be added two further statements: First, that the bank's offices increased from thirteen branches in 1900 to sixty-four branches and thirty-nine sub-agencies in 1911; second, that the profit increased from \$154,411 in 1900 to \$459,570 in 1911. In other words opportunity had come, and the Eastern Townships Bank was strong enough and well-managed enough to seize it.¹

Indeed, just on the eve of its union with The Canadian Bank of Commerce, the Eastern Townships Bank was considering seriously an enlargement of scope which, if carried out, must have modified the objectives of the institution to a greater degree than any previous act. Other banks were thrusting their branches into the Eastern Townships, and to preserve a vigorous growth it seemed desirable that a very

¹It is evident that the forward policy represented by the opening of so many new branches excited some concern among the more prudent, or unprogressive, shareholders. For example, there is distinct evidence that in June, 1903, the opening of a branch at Spokane was deferred, out of respect to the opinion of shareholders who deemed the recent expansion to be too rapid.



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serious effort should be made to entrench the Eastern Townships Bank throughout the region to the west of Lake Superior. At a meeting of the Board held on December 7, 1910, it was moved by the Hon. G. G. Foster, and seconded by Mr. B. C. Howard, that: "Whereas it has been deemed in the interest of this bank that branches should be opened at different points in the northwest provinces, the wisdom of which course has been amply demonstrated, and as applications have been and will be received for further developments, and as it is in the interest of the shareholders that the directors should have as perfect knowledge of these provinces, their surroundings and prospects, as possible, the general manager be requested to provide for the transportation and entertainment of such members of the Board as may be able or willing to visit the present branches of this bank, or such other points as our western directors may consider it advisable for them to inspect, such visit or inspection to take place about the 15th of May, or such date in the early summer as may be agreed upon."

In the early autumn of 1911 a party, including almost all of the directors, made an extensive trip through the northwest provinces, pursuant to the decision which is set forth in the resolution just cited. On the strength of this survey, plans for a marked expansion were being considered at the moment when a suggestion was received from The Canadian Bank of Commerce that a satisfactory basis might be found for a union of the two institutions.

During these years of rapid, almost unexpected, growth, the conduct of the bank's business was entrusted to Mr. James Mackinnon, who after a long term of service as branch manager at Cowansville, was made general manager in 1900 when Mr. Farwell relinquished that office to become president. Hitherto the bank's territory had been confined, with the exceptions noted, to the home district. From the beginning of the new century it was expanded to the extent shown by the detailed list of branches and sub-agencies on page 492.

It is to the lasting credit of Mr. Mackinnon that he approached these fresh intricacies of the bank's affairs in the spirit of broad-mindedness, without being led by undue optimism into taking risks. During his administration the bank steadily solidified its position, at the same time reaching out into new areas both in Quebec and in the far west. During this period, also, its offices took on a more imposing character through the erection of suitable buildings adapted to the permanent requirements of the institution. The Eastern Townships Bank building in Montreal, and those in Winnipeg, Rock Island and Ormstown, may be mentioned as setting a new standard of scale and dignity. These edifices, while symptomatic of a general tendency in Canadian banking, were at the same time a symbol of the position to which in the course of its fifty years the Eastern Townships Bank had attained.¹ In short, at the time of its union with The Canadian Bank of Commerce it stood at its peak, both as regards resources and the scope of its operations.

The story of this union need not be told at any great length. The Canadian Bank of Commerce desired to round out a national system by securing a strong position in the Province of Quebec. To the directors of the Eastern Townships Bank it seemed better that their shareholders should secure the benefit of the splendid organization which The Canadian Bank of Commerce possessed in every other province, than that a considerable amount of fresh capital should be embarked upon a project of building up a competitive business beyond Lake Superior. Although the book value of

¹In 1905 the Eastern Townships Bank adopted the following coat of arms:

ARMS—Party per fesse the upper part per pale.

1st. Argent, an anvil, sable.

2nd. Azure, a garb, or.

3rd. Gules, a lion couchant of the fourth.

CREST—The sun rising in his glory.

SUPPORTERS—On the dexter—Vulcan, habited sable, the dexter hand resting upon a hammer.

On the sinister—Ceres, habited azure, the sinister hand scattering seed, or.

the two stocks was almost identical, the dividend rate and the market price of The Canadian Bank of Commerce shares were higher. This fact, together with the belief that their shareholders would derive future benefit from participating in the operations of a large, nationally grounded bank, carried the judgment of the directors, and in due course their view was ratified by the shareholders. The basis of the amalgamation was a share for share exchange—The Canadian Bank of Commerce taking over the assets of the Eastern Townships Bank and giving in payment 30,000 shares of its own stock. The agreement protected fully all equitable interests of the staff of the Eastern Townships Bank. Once started, the negotiations for this union were carried through with despatch, the details being all worked out in the first three weeks of December, 1911.¹ Among those who worked most actively and successfully to effect the consolidation of the two banks was Mr. H. B. Walker, manager of The Canadian Bank of Commerce in Montreal. Through his initiative the thread of earlier negotiations was taken up at an opportune moment, with the result that a just basis of union was quickly discovered.

“An institution,” says Emerson, “is but the lengthened shadow of a man”—and this saying is as true of banks as of other institutions. However satisfactory may be the figures of the balance sheet, they require interpretation through a knowledge of those who achieved the results.

In the history of the Eastern Townships Bank may be seen a harmonious interaction of the institution and the community. How complete this interaction became is known from first-hand experience to thousands of people who are now living. It is not a thing which can be weighed or measured like a material commodity, yet there are standards by which it can be tested. One of these is to be found in the alacrity

¹It is proper to state that overtures of a similar character had been made by the Bank of Montreal in the summer of 1905, and also for the first time by The Canadian Bank of Commerce in the spring of 1906.

with which leading men throughout the Townships accepted an invitation to join the Board of the bank. The first directors have been characterized already. Their successors, as vacancies occurred, were selected with great care, and on grounds which could always be well justified. Among members of the Federal or local legislature were Senator G. G. Stevens and Senator M. H. Cochrane, the Hon. T. L. Terrill and John Thornton. H. B. Brown was a remarkably able lawyer. S. H. C. Miner left a deep mark upon the Eastern Townships as a builder of industry. Frank Grundy was the very capable manager of the Quebec Central Railroad. Colonel J. G. Foster and O. A. Robertson were eminent representatives of interests in the United States, which merited representation on the Board of the bank. Indeed, it may be said that throughout its history, and without exception, the directors of the Eastern Townships Bank were men whose presence on the Board gave strength to the institution, because they were selected not lightheartedly, but from a sense that this trusteeship was the most important distinction in business which the Eastern Townships could bestow.

Another sign of the sympathetic co-operation between the institution and the community is to be found in the share list of the bank as it stood in 1911. That the institution was entrenched in the confidence of Townships people is made clear by the presence in this list of names representing a wide diversity in status and occupation—farmers, artisans and capitalists, in every county and hamlet of the Townships, had bought its stock. More graphic still is the witness afforded by the shareholders who represented the people of the Eastern Townships in their dispersion both to the Canadian west and to the United States. On account of the close connection between the Eastern Townships and New England, it is not surprising that the bank should have had shareholders in every New England State, and also in New York, New Jersey and in Pennsylvania. But wherever the people of the Townships went, they continued to believe that Eastern

Townships Bank stock was a safe investment. Hence the list of shareholders came to include names from such States of the middle west as Indiana, Illinois, Michigan, Iowa, Minnesota and Wisconsin. Still further west there were shareholders in California, Kansas, Texas, Colorado, Idaho, Oregon and Washington. At home, every province of the Dominion was represented on the list.

Beyond all question the bank strengthened the sense of unity which seems to belong, almost by birth, to the folk of the Townships. A bank is a less august institution than a church, but where the church is split into denominations, the unity of a bank with its net-work of branches may, for a given district, supply in the social as well as in the economic sphere a very useful common denominator. For above fifty years the "sober, steady and unspeculating" citizens of the Townships were linked to each other by their connection with, and their indebtedness to, the bank. It was much that this institution wrought in a region where no great waterways facilitate trade, and where everything has been won by stern effort from the wilderness.

This is, in fact, a matter of ocular demonstration. There exist numerous woodcuts and lithographs which show the settlements in the Eastern Townships as they were in the early and middle years of the last century. Nature was then no less beautiful than now, but it was the beauty of wildness—a type of beauty which to the settler meant poverty and toil.

To-day the physical aspect of the Eastern Townships no longer suggests "the murmuring pines and the hemlocks" of the primeval forest. It is a land of farms and mills, of mines and water-powers. Those who strove with want, in full confidence of the future, have enabled their descendants to occupy a region where comfort reigns in every township and village. And nowhere in the world is prosperity more diffused, or the contrast less glaring between the extremes of wealth and poverty.

Reviewing the history of the Eastern Townships Bank, one sees similar changes and similar results. Here, too, effort won its reward. The Eastern Townships Bank was the pioneer financial institution of the Eastern Townships. Pushed on to success by the perseverance of its founders, maintained for fifty years by honest and active men, it reached a position of bed-rock security, with an influence which, speaking quite literally, extended from ocean to ocean. One is free to confess that the bank was not the only agency which made for the upbuilding of this region, but on the material side of life its presence filled the centre of the stage and its operations were a source of multiplied benefit to those for whom it had been created.

At a time when our thoughts and hearts are centred on the Great War, it may be observed that a review of the families whose members have been most closely associated throughout the Townships with the work of the bank would reveal an inspiring record of patriotism. One example may be cited, whereas the whole list would fill pages. Lieutenant Ransom Ball, who died of wounds received at Langemarck, was the son of W. L. Ball, manager of the branch at Winnipeg; grandson of A. P. Ball, first manager of the branch at Stanstead; and great grandson of Colonel Benjamin Pomroy, the first president. The records of the Henekers, Farwells, Mackinnons, Robinsons, Fosters and Stevens—to cite only a few of the bank families—show a splendid contribution either to the regular British Army or to the volunteer force which went from Canada to join in the struggle for freedom and civilization. But one's last word must be of those who, as members of the bank's staff, built up this worthy fabric by their years of painstaking, unremitting and responsible labour.

It is a credit to the human race that our most potent efforts are not prompted by pure selfishness. In serving a cause, men are enabled to go far beyond the point which limits them when they are striving under the mere stimulus

of a personal ambition. Nor is it only at moments of stress and crisis that notable acts flow from the operation of this psychological law. It functions amid the humdrum of daily routine no less than in the height of battle or at the moment of martyrdom. Besides being a spur to the highest art and the purest patriotism, it animates the world of daily business and makes itself felt in the most prosaic surroundings. The merchant, of whom Dickens said that he was "a corn and seedsman in his heart," did not live his life without sharing a spark of idealism with those whose instincts are unmistakably aesthetic or heroic.

However much this fact may savour of platitude, as stated in set terms, we are bound to recognize its importance when we seek to define the spirit which underlies any institution that maintains its existence for a considerable time, whether that institution be the Republic of Venice on the one hand, or a joint-stock bank on the other. Take the career of William Paterson, for instance, whether in connection with the unfortunate Darien expedition or with the highly successful Bank of England. In either case it represents a strong, idealistic, disinterested motive, expressing itself no less clearly on the side of business than under the more picturesque form of national colonization.

These considerations bear strongly upon the Canadian banking system as a whole, and in a very particular way upon the history of the Eastern Townships Bank. There is no one of the Canadian banks but can show its list of idealists who have striven for the bank even more than for themselves, and who have been willing to see their own special service lose its identity in the sum total of accomplishment. To that extent the Canadian banking system has been sustained constantly by the force of living sentiment. And in no part of Canada has a bank throughout the whole course of its growth been more closely associated with the life of the community it served, or more intimately bound up with the spirit of that community, than in the Eastern Townships.

During the fifty-two years of its separate existence the Eastern Townships Bank was much more than a machine for turning out dividends of six, eight, or nine per cent. for its shareholders. Economically, and to a large extent socially, it furnished a basis of association for the people of a very distinct district, who without its help would not have found themselves so quickly, and who felt a deep pride in an institution which they had built up among themselves through loyal co-operation.

APPENDICES

TO

VOLUME I.

APPENDIX I.

NOVA SCOTIA TREASURY NOTES.

The following is a summary of the principal provisions of the legislation of the province of Nova Scotia regarding treasury notes:

1761. On account of a great drought during the summer of 1761 it became necessary to borrow monies for the relief of the poor and destitute in the town of Halifax and the new settlements. An Act (chapter xi, 1 George III, N.S.) was accordingly passed, authorizing a loan of £850 currency for the aforesaid purpose, repayable with lawful interest at the expiration of one year.

1762. Owing to the insufficiency of the impost and excise duties to defray the expenses of the province, it became necessary to borrow a further sum this year. Accordingly, authority was given by chapter ii, 2 George III, N.S., to borrow the sum of £4,500 on the same terms as in the previous year, repayment to be made out of the duties on wines, beer, rum and other distilled spirituous liquors.

1763. By chapter ix, 3 George III, N.S., the Treasurer of the province of Nova Scotia was authorized to borrow the sum of £4,000 for the payment of outstanding debts of the province, and to give a receipt in the following form:

Province Nova Scotia, the	Day of	17
Received of	the sum of	
for the Use & Service of the Province of Nova Scotia, and in Behalf of said Province I do hereby promise and oblige myself, and Successors in the office of Treasurer, to repay the said		
	or order, the	Day of
the aforesaid Sum of		
with Interest at the		
Rate of Six Pounds per centum per Annum. Witness my		
Hand.		

The Treasurer was not to borrow or give his receipt for any sum less than five pounds.

1764. By chapter iii, 4 George III, N.S., the Provincial Treasurer was empowered to issue small notes to discharge the loans made under the first two Acts mentioned above, giving receipts in the form authorized by the Act of 1763 in exchange for the warrants formerly issued. It was represented that the holders of these warrants laboured under great inconvenience on account of the largeness of the sums expressed in the warrants, and the new receipts to be issued in exchange were to be for any sum or sums desired, but not for less than twenty shillings.¹ The new receipts were to be entered with the clerk of the audits, before being issued from the treasury of the province.

Chapters ii and vii, passed at the same session, authorized additional loans for general purposes of £2,900 and £2,500, respectively, and chapter vi, one of £1,500 for road-making. In all these cases the receipts or obligations to be given for the money borrowed were to be in the same form, and were to contain the same terms, as in the case of the loan of 1763, except that under chapter vii the smallest denomination which might be issued was reduced from twenty shillings to ten.

All the foregoing Acts were passed during the various sessions of the third General Assembly of the province of Nova Scotia.

¹It is interesting to note that the treasury books of the province record that notes bearing the numbers 1 to 200, for £1 each, were made payable nominally to Michael Francklin. The Hon. Michael Francklin came to Nova Scotia about 1752, and filled many public offices with much ability during his subsequent career. He was appointed justice of the peace for the county of Halifax in February, 1761, and was elected to the House of Assembly as one of the members for the same county a few months later. In May, 1762, he was made a member of the Council of Twelve. In August, 1766, he was appointed Lieutenant-Governor of Nova Scotia, and four years later Lieutenant-Governor of the island of St. John, now Prince Edward Island. He served as Lieutenant-Governor of Nova Scotia until April, 1776, and in June, 1777, was appointed by the British Government Superintendent of Indian Affairs for Nova Scotia. He was active in enrolling the militia and Indians during the American Revolution, and did much to maintain the loyalty of the Indians in Nova Scotia. He died on November 8, 1782.

1765. By an Act passed this year (chapter ix, 5 George III, N.S.) the Provincial Treasurer was empowered, because of the inconvenience caused to the holders of such large notes, to exchange notes of ten shillings and upwards, upon request, for all notes exceeding £10 then outstanding. The notes withdrawn from circulation were to be cancelled in the presence of persons appointed by the General Assembly for the purpose. The tenor and conditions of the new notes remained unchanged.

In this Act the term "note" is applied to the obligations of the province, which hitherto had been called "receipts."

1766. An additional issue of 6 per cent. treasury warrants was authorized by chapter iv, 6 George III, N.S. The terms and conditions were apparently the same as in the case of previous issues, although the Act makes no reference to the form of the warrants. In the title of the Act the sum of £3,648 0s. 4d. is stated to be the amount of the issue, although no mention of this appears in the text.

1767. An issue of £1,600 six per cent. treasury warrants was authorized by chapter vi, 7 George III, N.S., for general expenses. This issue was made to enable the public revenues to be devoted for the time being to the payment of interest due on the warrants already issued, which the Provincial Treasurer had been unable to meet, causing a "depreciation of the Government's securities, to the great prejudice of the possessors."

1773. The preamble of chapter i, 13 George III, N.S., sets out "that several persons who now possess notes for sums borrowed in pursuance of the several Loan Acts made by the General Assembly of this province, labour under great inconvenience by reason that many of the said notes are defaced and worn, and some would prefer to have large notes in lieu of a number of small ones, or to have the same exchanged." Accordingly the Provincial Treasurer was empowered on application to "take up and receive all such notes for money borrowed" as might be presented to him for the purpose, and to give in exchange receipts reading as follows:

Province Nova Scotia the Day of
 Received of the Sum of for the use and
 Service of the Province of Nova Scotia, and in Behalf of
 said Province, I do hereby promise and oblige myself, and
 successors in the Office of Treasurer to repay the said
 or Order the Day of the aforesaid
 Sum of with Interest at the Rate of Six Pounds
 per Centum per Annum.

This Note being in lieu of worn and defaced Notes
 heretofore issued from the Treasury, amounting to the like
 or same Sum and now cancelled. Witness my Hand.

At the option of the holder these receipts might be made payable to "Bearer" instead of "Order." All notes issued in pursuance of this Act were to be countersigned by at least two persons appointed for the purpose by the Governor, Lieutenant-Governor, or Commander-in-Chief.

1774. Chapter ii of the statutes of this year empowered the Provincial Treasurer to borrow the sum of £400 for building bridges, and opening the road to Truro. The securities to be issued under this Act were to be in the same form as under the Act of the previous year, omitting, of course, the second paragraph of the text, having reference to the issue being made in exchange for worn and defaced notes. They were, like the notes of the previous year, payable to "Order" or "Bearer" at the option of the holder, and were not to be for a less sum than £5. They were specially secured by the pledge of the duties on licensed houses, the levying of which was continued by the Act until the end of the year 1780.

1776. By chapter ii enacted this year, the Act of 1773 was amended so as to provide for the compulsory exchange of all outstanding interest-bearing treasury notes and warrants, for new notes of such denominations as the holders might choose, bearing date November 1 or May 1.

1782. The Government again being unable to discharge its debts, authority was given to the Treasurer of the province to endorse on any ordinary warrants issued in pursuance of

votes and resolutions of the General Assembly, which he had not sufficient funds to discharge, a statement that the sum mentioned in the warrant so endorsed would bear interest at six per cent. per annum until payment, provided that the total amount of warrants so endorsed might not exceed £3,000. Provision was also made for the payment of the interest on these warrants, as it matured. No warrants issued in payment of officers' salaries or allowances were to be so endorsed.

1812. The Lieutenant-Governor, or Commander-in-Chief for the time being, is empowered (by chapter i, 52 George III, N.S.) to appoint three commissioners to issue treasury notes to the amount of £12,000, the denominations to be as follows:

50 notes of £50 each	400 notes of £5 each
100 notes of £20 each	400 notes of £2 10s. each
200 notes of £12 10s. each	2000 notes of 20s. each

For the wording of these notes see plate 6 (upper note). They were to bear interest at the lawful rate from the day on which they were issued in payment from the treasury, and were to be signed by the Treasurer and countersigned by the commissioners. The words "Nova Scotia" were to be indented and impressed on them. All the notes were to bear the same date, and when completed and signed were to be delivered to the Treasurer by the commissioners. The Treasurer was thereafter to be accountable for them, and before issuing them was to date and sign them. Interest would accrue from the date so affixed. The Treasurer was to discharge any warrants on the treasury presented to him for payment, either in gold and silver or in treasury notes, at the option of the holder. The notes were to be accepted in payment of duties by the collectors of impost and excise throughout the province, at their face value, plus accrued interest. When so accepted the collectors were to write on them the date of payment, which was to be attested by the signature of the person tendering them, and on receipt at the treasury they were to be cancelled and not reissued. Provision was,

however, made for a new issue to the extent of the amount redeemed, upon the warrant of the Lieutenant-Governor or Commander-in-Chief for the time being. As soon as the joint committee of His Majesty's Council and the House of Assembly reported that the state of the treasury would admit the calling in of the sum of £2,000 in notes, the Treasurer was to appoint a time at which he would pay the notes and to give sixty days' notice to that effect in the Royal Gazette. The largest notes were to be the first called in, and after the date set in the notice, interest was to cease on notes called in but not presented for payment.¹

1813. The notes issued under the Act of 1812 were withdrawn and the Act itself repealed by chapter xv of the statutes of this year. Instead, the usual powers were given to the Lieutenant-Governor, or Commander-in-Chief for the time being, to appoint three commissioners to issue up to £20,000 in non-interest bearing treasury notes of the following denominations:

3,000 notes of 40 shillings each

14,000 notes of 20 shillings each

For the form of these notes see plate 6. This appears to be the first non-interest bearing issue made by the province. They were to be issued and reissued by the provincial treasury, though the person to whom payment was made still had the option, according to law, of insisting on being paid in specie. Provision was made for the issue of new notes to take the place of old ones, provided the authorized total was not exceeded.

¹R. W. McLachlan in an article entitled "*Annals of the Nova Scotian Currency*," published in the *Transactions of the Royal Society of Canada*, section II, 1892, quotes a letter from the Provincial Treasurer, Michael Wallace, to the agents of the colony in Liverpool, England, dated March 26, 1825, in which he writes: "A paper medium is absolutely necessary in this province, and hitherto has proved of great public utility, and we have been very fortunate in suffering very little by forgery since its commencement in 1811." This would appear to refer to the issue of 1812 and may be taken as indicating that the treasury notes of 1812 were the first issued with the avowed purpose of using them as currency. If so the transition from their use merely as evidences of indebtedness had been very gradual, as may be gathered from the provisions of the Acts of 1773 and 1774.

At the end of any three months period after December 31, 1813, any person presenting £100, or upwards, at the treasury could, if payment in specie was not forthcoming, obtain interest-bearing securities of the province in exchange. The period of three years was fixed as the life of the issue, and after it had expired all outstanding notes were to be redeemed. The final clause of the Act authorized a loan of not exceeding £10,000 in treasury notes to the Deputy Paymaster-General, or other officer in charge of the Army Pay Office, against his undertaking to repay the same within six months after demand.

1817. An additional issue of £5,000 in £5 notes was authorized by chapter xvi of the statutes of this year. The new notes were to be dated April 30, 1817, and resembled in form the notes issued under the Act of 1813. An amendment was made to that Act under which any notes thereafter issued by virtue of it would be dated April 30, 1813. The new £5 notes were to be redeemable after December 31, 1817, and provision was again made for exchanging them or any other treasury notes for interest-bearing securities on the same terms as under the Act of 1813, except that the notes so funded might not be reissued. The funding sections of the Act of 1813 were repealed.

1818. Chapter xxxii authorized a new issue of £15,000 in £5, £2 and £1 notes to be dated April 20, 1817, and limited the total amount of treasury notes outstanding to £40,000. The new notes were to be redeemable after December 31, 1819. The prohibition in the Act of the previous year against the reissue of notes which had been funded into interest-bearing securities was repealed, and provision was made for the issue of new notes dated April 20, 1817, to take the place of the funded ones.

1819. Chapter ix authorized the issue of an additional £10,000 in treasury notes of the same denominations as under the Act of 1818, and the opening of loan offices in the counties of Annapolis and King's County for the issuing of these notes against first mortgages on real estate. Full provision was

made in the Act for all matters connected with the said mortgages, their form, etc. The notes issued under this Act were redeemable after December 31, 1828, and the usual funding privileges attached to them after December 31, 1822. The commissioners appointed to oversee the issue were called upon to take oath for the faithful performance of their duties.

1820. An issue of £20,000 in £1 and £2 notes, to be dated June 1, 1820, and redeemable after December 31, 1822, was authorized by chapter xviii. The limit for all issues was extended to £70,000. The provisions as to reissue, redemption and funding were the same as in the case of previous issues.

1821. Chapter iv, 2 George IV, N.S., authorized the cancellation of all previous issues of treasury notes paid into the provincial treasury, and the substitution for them of a new issue not to exceed £66,227. The new issue was to consist of the denominations of £5, £2, £1, 10s. and 5s., and to be in the same form as the last issue.¹ The notes were to bear date the first Monday of January or July, according as they were issued during the first or last six months of the year, were redeemable after two years from the date of issue, and were to be called in after three years from the date of issue. The usual provisions were made for funding and reissue.

By an Act passed later in the same session (chapter xxvii), the unissued balance of £8,000 out of the total of £20,000 authorized in 1820 was directed to be issued in notes of ten and five shillings in place of £1 and £2, as originally authorized.

1823. Chapter xii passed this year authorized the additional sum of £5,000 in notes of £1 and £2 to be issued, to be dated June 1, 1823, and subject to the same terms and conditions as under the Acts of 1818 and 1820-21. (See plate 7).

1826. Authority was given by chapter xiv to make a new issue of £40,000 in notes of 10s. and 20s. These notes were to

¹On June 5, 1824, the Provincial Treasurer wrote to the engravers of the treasury notes, saying: "A new plate must be engraved for the £5 notes as the one I had has been mislaid." It would seem as though the custody of these plates was not as strict as modern usage would call for.

be indented and impressed with the words "Nova Scotia," to be dated on the first day of the month of issue, and to be signed by the Treasurer and countersigned by two out of the three commissioners appointed to control the issue. In form, figures and words the design was to be as the commissioners might direct. The usual provisions for funding were to go into operation three years from the date of the notes issued under this Act, and to reduce the outstanding funded debt of the province, the Treasurer was to pay over to the commissioners at the end of each quarter in notes of old issues, or gold and silver, the amount of any notes of the new issue delivered to him. The old notes thus paid to the commissioners were to be cancelled, and the gold and silver used to redeem outstanding interest-bearing loan certificates.

1828. Chapter iii authorized an issue of £40,000 in notes of 20s. with the same provisions as to form and date as the issue of 1826. It limited to £40,000 the total amount of notes permitted to be outstanding at any time, and provision was made for exchanging notes of the new issue for those of former ones paid into the treasury. It is noticeable that the option of receiving payment in gold and silver instead of in notes, formerly given to the creditors of the province, was omitted, and the Treasurer was directed to pay all warrants on the treasury in notes. The Acts of 1821, 1826, and all previous Acts touching the issue and cancellation of treasury notes, were superseded by this Act, except in so far as the establishment of loan offices in King's County and Annapolis was concerned.

1829. The issue of 1828 was increased by £15,000 in notes of 10s. and 20s., making the total authorized issue £55,000 (chapter xliii, 10 George IV).

1830. Provision was made by chapter ix for the issue of new notes to replace torn or defaced ones, and as larger notes than those of £1 "are often required for the convenience and despatch of the public business" the new notes, to the extent of £5,000, might be issued in the denomination of £5.

1832. The total authorized issue was increased to the sum of £80,000 by an additional authorization of £25,000 in notes of 10s. and 20s. (chapter lxiv, 2 William IV).

1833. The preamble to the Act (chapter xxxviii) set out that to remedy the defective state of the currency in the province it had become necessary to provide for the redemption of treasury notes in specie on presentation, and also gradually to reduce the amount outstanding. The Act provided that customs duties must henceforth be paid in gold and silver, and not in notes, but that other payments to the treasury might be made in notes; also that the Treasurer must redeem in specie, if such be available, all notes presented of £10 or over. Treasury notes of twenty shillings and upwards, presented in sums of not less than £100 at one time, if not redeemed in specie, might be funded into four per cent. interest-bearing certificates, provided that not more than £20,000 in all of such certificates might be issued. The gold and silver paid into the treasury was set apart for the redemption of treasury notes and of the interest-bearing certificates issued in lieu of them. Notes redeemed under these provisions were to be cancelled, but if deemed expedient, new notes might be issued in their place.

1835. The rate of interest on outstanding six per cent. provincial stock certificates issued in redemption of treasury notes was reduced to five per cent. (chapter xvi, 5 William IV).

By a subsequent statute passed the same session (chapter xxii, 5 William IV) it was enacted that the four per cent. certificates issued in exchange for treasury notes under the Act of 1833, amounting to £11,500, should from January 1, 1835, bear interest at five per cent., and that no more four per cent. certificates should be issued. Provision was also made for the issue of an additional £7,000 five per cent. stock (making £18,500 in all authorized by this Act) in redemption of treasury notes, the notes so redeemed not to be reissued, or any new notes to be issued in their place.

1839. On account of the difference between the valuations at which doubloons and dollars were received by the officers of Her Majesty's Customs, and by the provincial treasury, the latter had been exposed to loss. It was enacted by chapter xxxvii, passed this year, that after the passing of this Act dollars should be paid out for the redemption of treasury notes at the current rate of exchange for notes, to be ascertained by enquiring of the banks.

1846. It was now decided to withdraw all old issues of treasury notes, and to replace them by an equal amount of notes of a different impression. Accordingly, by chapter xiv, 9 Victoria, all former statutes relating to this subject were repealed. Three commissioners were appointed to superintend the new issue and the Secretary of the province was directed to procure a new plate, the impressions from which should be substantially to the following effect, namely:

One	£1	One
Pound	No.	Pound

Province of Nova Scotia: The bearer hereof is entitled to receive at the Treasury Twenty Shillings. Dated at Halifax the day of 18 .

..... } Commissioners.
 }

.....Treasurer.

The new treasury notes were to be bound in books and to be delivered to the commissioners, who were to number and date them, and cause them to be signed by two of their number, and then to issue them to the Treasurer in exchange for an equal sum in old treasury notes. The commissioners were to enter the number of each note on the counterfoil, and to keep a record of the numbers and dates of all notes issued, and the names of the commissioners signing the same. The old notes withdrawn from circulation were to be cancelled and subsequently destroyed. The new notes were not receivable for customs duties, but might be accepted by the treasury for any other duties or monies payable to it. Provision was made for

reissue and for substituting new notes for worn or defaced ones, as in the case of the older issues.

1854. Chapter iii, 17 Victoria, set out that, "whereas Acts have been passed during the present session of the legislature to authorize and to provide funds for the construction of railways in this province, and it is necessary to enlarge the amount of circulating currency," a further issue of treasury notes for twenty shillings each to an amount not exceeding £50,000 was authorized. They were to be in the same form, etc., as the other notes then in use, and to be payable at the treasury in gold or silver money on demand.

1856. An increase of £50,000 in the amount of treasury notes outstanding, to consist of twenty shilling notes, in the same form as the notes then in circulation, was authorized by chapter xxxi of the statutes of this year. The new notes were redeemable at the treasury in gold or silver money on demand.

1860. Section 4 of "An Act to regulate the Currency and the Decimal System of Accounting" (chapter iii, 23 Victoria, N.S.) enacted that "the treasury notes for twenty shillings each shall hereafter be computed at the public departments at four dollars each."

1861. Chapter 36 of the statutes of this year enacted that treasury notes issued after the passing of this Act might be expressed to be payable in dollars; and that the denominations of such notes and their form should be fixed by the Governor-in-Council, but that no note should be issued for a smaller sum than four dollars.

APPENDIX II.

SOME RARE PRINCE EDWARD ISLAND CURRENCIES.

Prince Edward Island appears to have been a fertile field for currency experiments, no doubt partly on account of the fact that so small a community, devoted almost exclusively to agriculture and fishing, found unusual difficulty in devising any form of currency that would remain within its borders.

Illustrations of three varieties of currency, namely,

(a) The Treasury Notes of the Island of St. John;

(b) The Holy or Ring Dollar, and its accompanying discs or centre pieces;

(c) The Fitzpatrick Leather Notes;

made from such dissimilar substances as paper, silver and leather, in use at various periods during the half century or more prior to the establishment of the first bank on the island, have been secured for this history, and are to be found on plates 21 and 23.¹ Such facts regarding them as it has been found possible to secure are given below.

TREASURY NOTES.

The treasury notes of Prince Edward Island or the Island of St. John, as it was called prior to 1798, have a history very similar to that of the treasury notes of the sister colony, Nova Scotia, which are dealt with on page 30 and at greater length in Appendix I. The bill for five shillings illustrated on plate 21 belongs to the first issue and was made under the authority of chapter viii, 31 George III, passed in 1790. The preamble to this Act, which is entitled "An Act for emitting certain Bills or Debentures of public Credit, within this Island," sets out so clearly the reasons which actuated the legislature in passing it, that we give the text in full below:

¹Opposite pages 128 and 140, respectively.

“3. And be it further enacted by the authority aforesaid that the amount of the bills or debentures to be emitted by the commissioners so to be appointed, shall not exceed the sum of five hundred pounds; and that the same be issued in bills of the following denominations, viz.:

500 bills of	1s.....	£ 25
480	“ 1s. 3d.....	30
480	“ 2s. 6d.....	60
500	“ 5s.....	125
100	“ 10s.....	50
110	“ 20s.....	110
50	“ 40s.....	100
		<hr/> £500

“4. And be it further enacted by the authority aforesaid that the said bills, or debentures, shall continue and be in circulation for and during the term of three years from the passing hereof, and no longer.

“5. And be it further enacted by the authority aforesaid that all persons who shall forge or counterfeit any of the said bills or debentures issued in virtue of this Act, or shall utter or pass such bills or debentures, knowing them to be counterfeit, and be thereof duly convicted, shall be adjudged guilty of felony without benefit of clergy, and suffer death accordingly.

EDMUND FANNING, Lieutenant-Governor.

PETER STEWART, President of Council.

JOSEPH ROBINSON, Speaker.”

HOLY OR RING DOLLAR.

This coin, which was made by punching the centre out of a Spanish pillar dollar, has various origins. It appears to have been widely known as the “ring” or “cut” dollar, and in Prince Edward Island and New South Wales as the “holey” or “holy” dollar. We are told that there were “holy” or “ring” dollars in Jamaica, Barbados, the Leeward Islands, Dominica, Antigua,

St. Vincent, British Honduras and New South Wales, as well as in Prince Edward Island.¹ The object of punching out the centre was to retain the coins in the country in which the mutilation was sanctioned by rendering them unfit for circulation outside. Usually a special mark of some kind was impressed upon the coins to serve as a protection against unauthorized punching. It is said that in Prince Edward Island at that time the Spanish dollar was valued at six shillings, while the same coin passed in Boston at the equivalent of six shillings and threepence, island currency, so that the merchants found it profitable to pay for their Boston purchases in Spanish dollars. As a result it was found impossible to keep the coins in circulation in the island, and to obviate this, roughly one-sixth of each coin was cut out of the centre and passed as one shilling, the remainder, or "holy" dollar, passing as five shillings.

The Prince Edward Island coins are rare and are to be distinguished from other "holy" dollars by a ring of triangular dots forming a star near the forehead of the head appearing on the coin, as shown on plate 23. According to Mr. J. Metcalf, North Wiltshire, P.E.I.,² the "holy" dollar was authorized

¹The oldest of these dollars appears to have been the Dominica "cut" dollar, which is thus described by Chalmers in his *History of the Currency in the British Colonies* (p. 74): "Having attracted dollars by its enhanced rating Dominica proceeded to take measures to keep them in the island. From the Council minute of 14th September 1798, it appears that 'whereas the scarcity of silver coin for change has long been a subject of great complaint,' the Council ordered 4,000 'of the newest pillared dollars' to be handed over to 'an ingenious silversmith', for the purpose of having a piece not exceeding 2 dwts. cut out of the centre of each dollar. It was at the same time provided that such cut dollar shall circulate at the rate of 8s. 3d., and every piece cut out of such dollar weighing 2 dwts. shall be paid at the rate of 1s. 1½d. If the cut dollar, or ring, did not weigh 15 dwts. after issue, it was to pass at 6d. per dwt. Writing of the new cut money on 12th February 1799, the Governor of Dominica says: 'the silversmith in this island cuts them for 4½d. each dollar. The piece cut out is a scalloped round; on one side of each the letter D is stamped within a circle.'"

In a foot-note, Chalmers remarks that "the ingenious silversmith" absorbed the whole of the profit arising from the division of a 9s. dollar into two pieces, rated at 8s. 3d. and 1s. 1½d., respectively.

In Tobago a dollar was in circulation with a hexagonal piece cut from the centre, the piece cut out being countermarked with a T, and the French islands of Guadeloupe and Martinique had other coins of the same character (E. Zay, *Histoire Monétaire des Colonies Françaises*, 1892). In the Corosal district of British Honduras two holes were sometimes punched in the coins which circulated there.

²*The Canadian Antiquarian and Numismatic Journal* (January, 1890), 2nd Series, I, 97.

by an order-in-council, but the records of these have never been indexed and are quite inaccessible. The best account of these coins is given by Mr. Edward Bayfield, formerly of Charlottetown, P.E.I., but now (1920) residing in Vancouver, B.C. It appeared in the *Prince Edward Island Magazine* for March, 1899. Mr. Bayfield writes:

"Another coin of interest in that it possesses a local history of its own, is the 'ring dollar.' This is a Spanish silver dollar, out of which a round centre piece has been punched. In the old days of the history of this island, when Governor Smith held his autocratic sway, there was a great scarcity of small change and of coins of all kinds. There were no banks and, bills of exchange and bank drafts being unattainable, the merchants had to send cash for the goods purchased by them in Halifax and elsewhere. The consequence was the silver dollars were found to leave the island almost as fast as they came into it. The happy thought occurred to Governor Smith that if a centre piece were punched from each dollar, then worth six shillings of our currency, the number of coins represented by the Spanish silver dollars would be doubled, the ring after punching passing for five shillings, and the centre piece for one shilling, and the coins being rendered unfit for circulation in any other country, must stay for use in the community. An order-in-council was all that was necessary to effect these desirable ends. I am not sure that the Governor troubled himself even to get this authority, for he was one that thought himself quite fit to govern the island without help from Council or Parliament. At all events the dollars were duly punched. But there was dwelling in Charlottetown a canny Scotchman, Mr. Birnie by name, who discovered that Governor Smith had made his punch too large and that the centre pieces were worth more than one shilling. He carefully collected them and sent them to England to be sold for old silver. The story does not tell whether they were insured, but most likely not, for I do not suppose there were any insurance companies

doing business in the island in those days. This is certain, however, Mr. Birnie made a loss if they were uninsured, for the ship that carried them was never heard of again, and the centre pieces punched from the Spanish dollars by order of Governor Smith lie at this moment somewhere under the waves of the broad Atlantic."

The Governor Smith referred to was Charles Douglas Smith, a son of Captain John Smith of the Guards, and a brother of Admiral Sir Sydney Smith, K.C.B., well-known for his brilliant defence of the town of Acre against Napoleon Bonaparte in 1799. Another brother, Spencer Smith, was British Minister at Constantinople. Governor Smith occupied the position of Lieutenant-Governor of Prince Edward Island from 1813 to 1824.

We have endeavoured to ascertain whether there was any tradition in the Birnie family that might support the story told by Mr. Bayfield, but have been unable to learn of any. It is, however, said to have been a matter of common knowledge in Prince Edward Island a generation ago. Mr. Birnie's Christian name was George, and he was born in Elgin, Scotland. He married a daughter of Captain John Stewart of Mount Stewart, P.E.I., and after some years of residence in Prince Edward Island he recrossed the ocean and went into business with his father in London as South Sea traders. The firm was among the many which failed at the time of the South Sea Bubble. Later he returned to Prince Edward Island, where he remained until his death. For a time he was interested in the foundry business of Waters and Birnie, which proved unsuccessful.

FITZPATRICK LEATHER NOTES.

The specimen shown in plate 21 is in a most excellent state of preservation and is now in the collection of The Canadian Bank of Commerce. The only other specimen known to exist is that in the Provincial Museum at Halifax. It will be noted that the denomination of the note is two

shillings and sixpence, and the promise in the body is to redeem four of the notes by a treasury note of Prince Edward Island for ten shillings. This points to the reason for their issue as having been the difficulty of providing for small payments, and recalls the fact that similar difficulties were experienced in the neighbouring colony of Nova Scotia, as set out so frequently in the preambles to the Acts of that province authorizing the issue of treasury notes.¹ The best available account of these leather notes is, again, that given by Mr. J. Metcalf of North Wiltshire, P.E.I.² It is as follows:

"Mr. James [William?] Fitzpatrick resided on Queen Street, Charlottetown, and had a store next to that of Mr. James Reddin; both stores were standing fifteen years ago, but were burned to the ground along with other property belonging to the Hon. William McGill. Mr. Alchorn's store occupies the site of those of Mr. Fitzpatrick and Mr. Reddin, as near as I can remember. Mr. Fitzpatrick was a genial, fine and funny fellow, a disciple of St. Crispin, and sold something to comfort his customers to boot. His note was printed on sheepskin and was of the value of two shillings and sixpence. It was put into circulation while Mr. Hazard's was still current, as will be seen from the following from a paper of the period:

'Though Hazard first did strike the type,
My leather has outdone his quite.
There is a merchant in this town
Will cash my notes for ten thousand pounds.'

"The merchant referred to was his neighbour, Mr. Reddin. In another issue his poetic soul rapturously sang—

'Nothing like leather was said of old,
But I have made leather as good as gold.'

"Specimens of this note are extremely rare; I know of but two, one in Halifax Museum, and the other in private hands. The latter is good and clean as new."

¹See Appendix I, p. 413.

²*The Canadian Antiquarian and Numismatic Journal*, 2nd Series, I, 98.

APPENDIX III.

HALIFAX BANKING COMPANY PARTNERSHIP AGREEMENTS.

First.—Dated September 1, 1825. Term—seven years.

Capital—subscribed, £50,000; paid-up, £7,500.

Partners—Hon. Enos Collins, Henry Hezekiah Cogswell, James Tobin, Samuel Cunard, John Clark, William Pryor, Joseph Allison and Martin Gay Black.

Second.—Dated September 1, 1832. Term—three years, apparently extended for one year.

Capital—subscribed, £80,000, in shares of £10,000 each; paid-up, £50,000, in addition to which £15,000 was held as a guarantee fund in the vaults of the bank in the form of public securities of Great Britain, the United States, or Nova Scotia, and the balance of £15,000 was subject to the call of the majority of the partners.

Partners—the same.

Note—At the termination of the extension of this second agreement the business of the company appears to have been liquidated, and the succeeding partnership to have started as a new concern, although carrying out the liquidation of the affairs of the old company.

Third.—Dated September 1, 1836. Term—three years.

Capital—subscribed, £60,000; paid-up, £21,000, with £9,000 in securities, as above, held in the vaults as a guarantee fund, and the balance subject to call.

Partners—the same, with the exception of the Hon. Samuel Cunard and the Hon. Joseph Allison, who had retired. The Hon. James Tobin died during the currency of this agreement and was succeeded by the Hon. Michael Tobin¹ on June 1, 1839.

¹There were two Michael Tobins, brother and son respectively of James Tobin. In the partnership agreement of August 31, 1839, the new partner is described as "the Honorable Michael Tobin." The brother became a member of the Executive Council in 1837, and the son was appointed to the Legislative Council in 1842, but was not a member of the Executive Council. Hence we infer that the Michael Tobin who succeeded James Tobin as partner upon his death, was his brother.

Fourth.—Dated August 31, 1839. Term—three years, extended for two years by a supplementary agreement endorsed on the original.

Capital—subscribed, £50,000; paid-up, £30,000, with £7,500 in securities as a guarantee fund and the balance subject to call, as in previous agreements.

Partners—Hon. Henry H. Cogswell, William Pryor, Hon. Enos Collins, Martin Gay Black and Hon. Michael Tobin. Messrs. James Tobin and John Clark were dead, the former being replaced in the partnership by the Hon. Michael Tobin. Mr. Clark had died October 5, 1838.

Note—A gap of three years now intervenes, which was probably covered by an extension of the foregoing agreement.

—Dated August 31, 1847.

Term—two years, extended for five years by a supplementary agreement endorsed on the original.

Capital—subscribed, £40,000; paid-up, £24,000, with the balance subject to call as in previous agreements. No securities held.

Partners—the same men as in the previous agreement, except that the Hon. Michael Tobin had retired.

—Dated December 1, 1854.

Term—three years.

Capital—subscribed, £40,000; paid-up, £24,000, the balance being subject to call.

Partners—William Pryor, Hon. Enos Collins, Martin Gay Black and James C. Cogswell. On March 1, 1856, Brenton Halliburton Collins, son of the Hon. Enos Collins, was admitted a partner on equal terms by a supplementary agreement, the paid-up capital being increased to £30,000. The Hon. H. H. Cogswell had died and was succeeded by his son, J. C. Cogswell.

Note—Another gap of two years occurs here.

—Dated September 1, 1859.

Term—three years, evidently extended from time to time, as the agreement is endorsed "Cancelled by

agreement bearing date the 1st of March, 1869." The latter agreement specially mentions that it replaces this one and adds that it (the agreement of September 1, 1859) was terminated by the deaths of M. G. Black and J. C. Cogswell, and the retirement of Captain N. T. Hill.

Capital—subscribed, £50,000; paid-up, £30,000, the balance being subject to call.

Partners—Martin Gay Black, James C. Cogswell, Brenton Halliburton Collins, William Pryor, Nicholas Thomas Hill and Philip Carteret Hill. M. G. Black was the sole survivor of the original partners; the three next-mentioned were sons of the original partners; Captain N. T. Hill was the first cashier, and still retained that position. P. C. Hill was his son and a son-in-law of the Hon. Enos Collins. The latter had retired, and Wm. Pryor, Sen., died on September 4, 1859, after a long illness.

—Dated March 1, 1869.

Term—three years.

Capital—subscribed, £30,000; paid-up, £24,000, with balance subject to call.

Partners—William Pryor, B. H. Collins and P. C. Hill.

The text of the original partnership agreement is given below:

"THIS INDENTURE of eight parts, made the First day of September in the year of Our Lord One thousand eight hundred and twenty-five BETWEEN the Honourable Enos Collins of Halifax of the first part; Henry H. Cogswell of the same place Esquire of the second part; James Tobin of Halifax aforesaid Merchant of the third part; Samuel Cunard of Halifax Merchant of the fourth part; John Clark of the same place Merchant of the fifth part; William Pryor of the same place Merchant of the sixth part; Joseph Allison of the same place Merchant of the seventh part; Martin Gay Black of the same place Merchant of the eighth part; WITNESSETH that

the said Parties for the affiance trust and confidence which each of them hath and doth repose in the other have concluded and agreed to become Copartners and joint Traders together in the business of Bankers in the Province of Nova Scotia under the name and firm of the Halifax Banking Company for their benefit advantage and profit and that for and during the space of Seven years to be computed from the day of the date hereof from thence next ensuing and fully to be complete and ended there shall be such joint trade and to that end and purpose the said Parties have added and put together a joint stock to be employed in and about the said joint Trade, that is to say the sum of Fifty thousand pounds of lawful money of Nova Scotia; viz., the said Enos Collins for his part, the sum of Ten thousand pounds; the said Henry H. Cogswell for his part, Ten thousand pounds; the said James Tobin for his part, Five thousand pounds; the said Samuel Cunard for his part, Five thousand pounds; the said John Clark for his part, Five thousand pounds; the said William Pryor for his part, Five thousand pounds; the said Joseph Allison for his part, Five thousand pounds, and the said Martin Gay Black for his part, Five thousand pounds; which said stock shall be occupied and employed together in an account of tenths both in Profit and Loss; the whole in ten equal parts to be divided whereof the said Enos Collins, his Executors and Administrators, is to have and bear two tenth parts thereof both in Profit and Loss; the said Henry H. Cogswell, his Executors and Administrators, two tenth parts both in Profit and Loss; the said James Tobin, his Executors and Administrators, one tenth part both in Profit and Loss; the said Samuel Cunard, his Executors and Administrators, one tenth part thereof both in Profit and Loss; the said John Clark, his Executors and Administrators, one tenth part both in Profit and Loss; the said William Pryor, his Executors and Administrators, one tenth part both in Profit and Loss; the said Joseph Allison, his Executors and Administrators, one tenth part in Profit and Loss; and the said Martin Gay Black, his Executors and Administrators, one tenth part

both in Profit and Loss; according to the true intent and meaning thereof. WHEREUPON it is concluded and agreed by and between the said Parties to these Presents, and each and every of the said Parties by and for himself his Executors and Administrators, doth covenant and grant to and with each and every other of them, his Executors and Administrators, by these Presents as hereafter in manner and form follows: First that the said Copartnership shall continue without ceasing in manner and form hereunder declared from the day of the date hereof until the full end and term of Seven years from thence next ensuing and fully to be complete and ended and that every of the said Copartners in the several businesses before mentioned to be by them severally done and performed and all other matters and things touching the said Copartnership shall and will from time to time during the said Seven years perform and do his and their best endeavour care and diligence for the most and best profit commodity and advantage of them the said Copartners and that each and every of them the said Copartners shall be faithful just and true unto the other of them therein. And that all gains or increases happening or coming of or by the said joint trade and copartnership shall be indifferently and equally parted and shared by and between the said Parties, their Executors and Administrators, as is before prescribed and set down. And that all debts charges and losses likewise arising happening and growing to be paid and borne for or by reason of the said joint trade and Copartnership shall be in like manner paid borne and sustained by and between the said parties, their Executors and Administrators, in ten equal parts as is before mentioned and according to the true intent and meaning of these Presents. And that every of the said parties shall from time to time hereafter perform and do his and their best endeavour diligence and travel as need or occasion shall require to recover and obtain such debts duties and sum or sums of money as by reason or means of the said trade or Copartnership shall be due and owing unto them from any person or persons so speedily as may

be from time to time, and shall not at any time hereafter without consent of the rest do procure or cause to be done or procured any act device or thing to prejudice hinder or retard the recovery obtaining or getting in of the said debts or either of them. AND IT IS FURTHER AGREED by and between the said parties to these Presents that all such monies belonging to the said joint stock and trade and the increase and produce of the said joint stock as shall be received by either of the parties to these Presents during the continuance of the said partnership shall be from time to time paid and brought into the said joint stock. And that all taxes, payments, impositions, servants' wages, used in carrying on the said trade and all debts, losses by bad debts and charges whatsoever which shall arise or be contracted made or owing or to grow or become due to be paid by reason of the said joint trade or the management thereof shall be during the said partnership borne paid sustained and defrayed out of the said joint stock and be deducted and satisfied before any dividend according to the said parties Interest therein; and further that neither of the said parties without the consent of the other of them or a majority of them first had in writing shall become bound or bail for any person whatsoever during the said Partnership except Bonds to be given at the Custom House and Excise Office, and notes to be negotiated at the Bank or in the common and ordinary course of business. And it is further agreed by and between the said Parties to these Presents that all and every the Books of Account touching the said joint trade shall be kept in the Banking House and that twice in every year, to wit, some time in the months of January and July during the continuance of the said Copartnership a general full and perfect account shall be stated adjusted and made up between the said Parties to these Presents of all matters and things touching the said Partnership and after the same shall be made up and adjusted shall be entered in a book kept for that purpose and signed by the said parties and It is agreed that after the said half yearly account is made up

each of the said parties shall and may deduct and take out of the Profits nett produce and increase of the said trade to and for his own and particular use such sum and sums of money as shall be mutually agreed upon by and between the said Parties to these Presents. And It is further covenanted granted and agreed by and between the said Parties to these Presents and every of them by and for himself, his Executors and Administrators, covenanteth and granteth to and with each of the others, his Executors and Administrators, by these Presents severally and respectively that in case any of the said Copartners shall die before the end or expiration of the said term of Seven years that then the part of him or them so dying shall run on upon account and be employed by the surviving Copartners in the said joint trade until the next ensuing time agreed on by these Presents for balancing the said accounts. And that the Surviving Copartners in the full¹ of the portion part or share of him or them so dying of in and to the said joint stock actually employed in the said Copartnership and the benefit and increase thereby then gotten and arisen shall and will only be liable to pay and shall pay upon such decease within three months after the account balanced and made up unto the Executors or Administrators of such of them the said Copartners dying within the said term of Seven years deducting thereout the full proportion of the expenses and charges of the said business up to the said half yearly period. And it is further covenanted and agreed by and between the parties aforesaid that the said business shall be regulated, conducted and managed in such manner and form as may be agreed upon by rules and regulations which may from time to time be drawn up and agreed upon by a majority of the said Copartners and on all occasions in the management of the said business the proprietor of one whole share or tenth part shall be entitled to one vote, and the proprietor of two shares or two tenth parts shall be entitled to two votes. And in case either of the said Copartners shall happen to be absent he shall

¹Apparently there is an omission in the original document here.

be entitled to vote by Proxy, such Proxy being always one of the said Copartners. And all rules and regulations for the conducting and management of the said Business and every thing relating thereto agreed upon as aforesaid and entered on the minutes of the Proceedings of the said Copartnership shall be of the same force and effect as if herein inserted. In Testimony whereof the Parties to these Presents have hereunto set their Hands and seals the day and year first before written.

SIGNED, SEALED AND
DELIVERED
IN PRESENCE OF

N. T. HILL
DAVID ALLISON

{ HENRY H. COGSWELL
WILLIAM PRYOR
ENOS COLLINS
JAMES TOBIN
SAM CUNARD
JOHN CLARK
JOSEPH ALLISON
MARTIN GAY BLACK”

APPENDIX IV.

KEYS OF THE GORE BANK AND THE HALIFAX BANKING COMPANY.

We are indebted for the following information to Messrs. J. and J. Taylor Limited, of Toronto, the well-known safe-makers:

"The earliest locks of which there is any record were the Egyptian, used nearly four thousand years ago. They were made of wood and the keys, which were large and heavy, were of the same material. The key lifted pins which permitted the door or gate to open, and this principle is used by the Yale Lock Company and others of the best makers to-day. There is no record of any important changes in type until the last quarter of the eighteenth century. In 1778, the first lock having tumblers or wards was invented, and the years 1778 to 1843, when the first combination lock was patented, cover a period of progress and of the perfecting of key locks. The keys in the possession of The Canadian Bank of Commerce are among the very oldest of this period, as they were used for safes, strong boxes, etc. Bramah and Barron, both English makers, were the first two manufacturers of key locks, the former doing business in 1770 and the latter in 1778, Bramah enjoying the best reputation for a number of years.

"On plate 57, Nos. 1, 4, 8, 15, 16, 19 and 22 are of the Bramah type, but were more likely main-entrance door keys rather than keys for either safes or strong-rooms (now called vaults), although it is probable that they were also used on safes and vault doors. These would be of the period of 1770 onwards to about 1830. (Note the stoppers in the ends of figures 16 and 22 for keeping the barrel of the key clean). Nos. 3, 5, 7, 12, 14, 17, 18, 20 and 21, also probably made by Bramah or Chubb (another English maker), appear to have been used between



BLUNDERBUSS

Used by officers of the Gore Bank, when carrying parcels of money by stage or otherwise.
(Page 185).



KEYS OF THE GORE BANK

1780 and 1836 for safes—really only strong iron boxes, when compared with present day vault construction. Nos. 2 and 6 are Cotterel Climax Detector locks, considered the best of their time—about 1835 to 1850—and used very generally for safes. Cotterel was a manufacturer of Birmingham, England. No. 9 is probably a front entrance key of the 1850 period. No. 10 is either an example of the Hobb-Hart (American) Patent, or one of Day and Newell's (England), known as changeable key locks, or "Parantoptic" or "Permutation." The bitings or steps on this key can be changed, and the tumblers in the lock transposed accordingly, affording a very wide range of possible changes and providing a safeguard in case the key is lost or stolen. This key was first known in England in 1851, and was used in Canada by J. and J. Taylor from 1855 to 1860, principally for bank safes. Nos. 11 and 13 are cupboard keys, judging from their style and size.

"On plate 13 (facing page 68), Nos. 2, 3 and 4 are either Barron's or Bramah's, with an increased number of tumblers, and belong to the period from 1800 to 1834. No. 5 is a Bramah heavy door key.

"There were many other kinds of locks with somewhat the same working principles, but those in possession of The Canadian Bank of Commerce, as used by the Gore Bank and the Halifax Banking Company, were those of the foremost manufacturers, and were recognized as the very best of their time.

"The Yale lock, probably the best known American lock, had its period in key locks from 1840 to 1862, but none of this manufacture appears in the illustrations. They were, however, considerably used in their time.

"The first combination lock, patented in 1843, was known as Lillie's Hub Combination lock (American). Then about 1854 Jacob Weiner (American) patented a combination lock in which the combination discs were exposed on the outside of the safe door. In 1857 Hildreth (American) patented a four-wheeled combination. These three were,

however, little used.¹ In 1862 Yale patented his first combination, and in 1865 Sargent patented his straight-bolt combination and later the revolving bolts. These two are the most prominent kinds in use to-day.

"Time-locks were patented in 1870. Birge of New England probably made the first, and he was followed by Sargent and Greenleaf, Yale, etc."

The following information was afforded by the cashier of the Halifax Banking Company in a letter written in 1905:

"On plate 13, keys Nos. 2 and 3 are of English manufacture and are believed to have been in use from the founding of the bank in 1825 until about 1881, when more modern methods were adopted. The larger key [No. 2] was for the main door of the building, which was of wood sheathed inside with iron, the outside being studded with large iron bolts which went through the door and clamped the large cross-bars of iron on the outside of the door to the inner sheathing, the length of the key representing nearly the thickness of the door. I am told that sometimes when the iron hinges got rusty it was with great difficulty that the door could be moved. The smaller key [No. 3] was for the iron door of the book vault; the vault was built of granite blocks and contained two compartments, one above the other, with one door only for each, the lower compartment being used for cash and the upper one for books. Both locks were of the same style and the keys were quite similar. In the cash vault there was as additional security an iron chest to hold the cash; the vaults were both of the same size, 42 inches high, 30 inches wide and 36 inches deep. When the office was shut up for the day, the iron shutters on all the windows were closed from the outside and then fastened

¹The following extract from the minutes of the Board of Directors of the Eastern Townships Bank dated November 30, 1860, is of interest in this connection:

"Notice of the new combination locks now in use for bank safes having been given the Board and of the intention of the travelling agent of being in Sherbrooke tomorrow, the president was authorized to see the agent with the view of endeavouring to effect an exchange of the present safe for one of the new construction."

The outcome of the president's interview with the agent is not recorded.

inside by an iron bar, and the keys of the book vault and of the outside door, having been placed in the leather pouch [No. 6], were left at the president's house by the messenger, whose duty it was to call for them at eight o'clock every morning. There was very little night work in banks in those days, but when it became necessary to open the office at night two of the clerks had to call at the president's house for the keys and again return them before ten o'clock. The cashier always held the key of the cash vault, which, as I have explained, was about the same size as the key of the book vault; he also held the key of the cash chest, so that there was no joint custody except to the extent of an iron pin [No. 1] which I think I gave you with the keys. This fitted into a hole in the bottom of the book vault and engaged the door of the cash vault. When this pin was inserted, the head was a little below the floor of the book vault, and on this a piece of plaster was supposed to be placed which corresponded with the bottom of the vault. In this way the pin was expected to escape the eagle eye of the burglar if he succeeded in opening the book vault, a feat in those days thought next to impossible. It is rather curious that this pin saved the cash on the only occasion on which a burglary was attempted. Access was gained from the next building and a hole cut in the floor of the directors' room (the one until recently in use). This let them into what is now my office, and the burglary was supposed to have taken place on Saturday night; it took them all Sunday to cut out the lock of the cash vault, so either the material of the doors must have been better in those days, or else burglars' tools were more imperfect than they now are. The bolts were thrown back, but the pin held and the door could not be opened. The burglars then commenced cutting the door of the book vault, but the time was not sufficient and they departed as they came, their identity never being discovered. After that a watchman was employed and it was his duty to look through a hole in the iron shutter every few hours, from which point of vantage he had a view of the vault door. On finding it intact, he put his

hand through the hole and pulled a string, which was attached to a most ingenious clock inside the window and which recorded the hour of his visit, and the story goes that if in the morning the records did not show that he had pulled the string at least once every hour during the night his wages were docked in proportion. I cannot vouch for this part of the story, but the clock has been in the office since my time. I am sorry to say no trace of it can now be found."

APPENDIX V.

THE GORE DISTRICT IN 1836.¹

The Gore District is divided into the two counties of Halton and Wentworth.

COUNTY OF HALTON.

Townships	Cultivated Acres.	Uncultivated Acres.	Assessment.	Population.
Dumfries.....	35,690	72,300	£59,078	4,306
West Flamboro.....	51,061	12,572	27,770	2,092
Nelson.....	10,380	26,822	32,008	2,251
Waterloo.....	17,771	51,666	55,565	2,791
Woolwich.....	3,043	13,557	10,425	506
Erin.....	2,695	21,608	10,010	963
Garafraxa.....	262	4,688	1,655	107
Beverly.....	6,208	27,343	18,782	1,477
Wilmot.....	5,281	23,373	16,492	1,101
Trafalgar.....	16,083	40,331	50,254	3,898
Esquesing.....	10,749	38,204	29,788	2,206
East Flamboro.....	4,325	12,612	13,200	867
Guelph.....	5,962	9,623	23,559	2,451
Puslinch.....	1,914	28,556	10,299	1,017
Nichol.....	836	25,716	7,414	397
Nassagaweya.....	2,136	14,678	8,170	756
Eramosa.....	2,548	17,782	8,374	631

COUNTY OF WENTWORTH.

Town of Hamilton.....	841	1,357	17,982	2,155
Barton.....	6,576	7,723	19,946	1,397
Ancaster.....	14,732	23,774	41,723	2,664
Saltfleet.....	8,307	15,626	24,819	1,808
Glanford.....	4,788	10,243	12,255	741
Grand River Tract.....	12,395	22,060	34,338	3,007
Binbrook.....	2,225	9,504	6,592	504

¹From *A Brief Account together with Observations, made during a visit in the West Indies, and a tour through the United States of America, in parts of the years 1832-3; together with a Statistical Account of Upper Canada*, by Dr. Thomas Rolph, Dundas, U.C., 1836.

For 1836, Dumfries is assessed at £70,129 5s. 0d.—the population has also increased to 5,081, and the other townships in the same ratio.

Horses, 5,287—four-year old oxen, 6,969—milch cows, 12,305—two-year old horned cattle, 5,242.

HAMILTON.

There are few places in North America that have increased more rapidly, or stand in a more beautiful and advantageous situation than the town of Hamilton. In the summer of 1833, my constant evening's walk was from Mr. Burley's tavern to the lake shore, distant about a mile—there were, then, but two houses between them, now it is one continued street, intersected by side streets, branching in both directions. The main street of Hamilton is of noble width, and has been constantly improving by the erection of spacious brick buildings, and must become, ere long, a splendid one. The courthouse is a fine stone building, at present unenclosed, but if the improvements in contemplation, relative to the gaol, should be carried into effect, it will render it an object of greater beauty and more utility. Several excellent houses have been erected—a Catholic, and an Episcopal church are in course of building—two noble taverns, both fronting the lake, are completed—a large stone brewery on the lake shore is in operation, perhaps the best in the district, and the splendid mansion of A. N. McNab, Esq., of which the frontispiece conveys but a very imperfect impression, and commanding the entire view of the lake, is unequalled in the province. It is a most extensive building, beautifully designed, and elegantly finished; it is called Dundurn, from a place of that name in Scotland, belonging to the ancestors of Mr. McNab. To the indefatigable exertions of this able, spirited and enterprising gentleman, Hamilton is infinitely indebted. Both in and out of Parliament, his exertions have been unceasing in the promotion of its welfare, and it must prove a source of the highest gratification to him, to behold Hamilton, in the

establishment of which he has been so actively engaged, assume an importance and celebrity not inferior to any town of the same standing in America. On the mountain overhanging Hamilton are two fine stone mansions, belonging to J. M. Whyte, and Scott Burn, Esqs., the former surrounded by an excellent and extensive park fence, and both embracing most comprehensive views of the lake, Burlington canal, Toronto harbour, and a splendid woodland valley immediately beneath them.

The population of this town when taken, as we learn from the town assessor, 1834, in September, was 2,101; and when taken in the year following, in May, 1835, it was 2,600, showing an increase of 500 in seven months—the population is now probably about 3,000. The census in 1833, as taken by the township assessor, was about 1,400. The amount of the town revenue in 1834 was, including police taxes, £270, and the expenditure nearly the same. The amount of the town revenue in 1835, is, including the police taxes, £430 or thereabouts, showing a very great increase in the wealth and prosperity of this town.

It is probable more buildings will be put up in the ensuing summer than have ever before been put up in the town. Several of our most opulent merchants are making preparations to erect large brick buildings in King Street. The contractors are taking advantage of the sleighing, by removing the old frames of houses to clear the lots for more permanent buildings.

The town of Hamilton is the district town, at which the assizes and quarter sessions are held; it returns a member to Parliament. Hamilton has a literary society, at which scientific, philosophical and political questions are discussed; the debates are well sustained, and it will doubtless prove an excellent school for training young barristers in the habit of extemporaneous speaking. Mr. Cattermole, the author of a work on emigration, lives in this town. I have ever been accustomed to speak of both men and things as I feel, and being fully persuaded that Mr. Cattermole was a faithful

friend to this province, in his efforts to further emigration, I regret and am surprised that his claims to its consideration have been altogether and most unaccountably overlooked. A medical society has been also formed, and I trust the time is not distant when it will have a public hospital. The Gore Bank, which has been chartered, is now established at Hamilton, and must prove of great advantage in promoting its still further improvement. From time to time it has been in agitation to connect Hamilton with Lake Erie by railroad, forming the nearest and quickest connecting link between the two lakes; the proposed route was to Port Dover on the shores of Lake Erie; its practicability and utility may be seen by the engineer's report. But could it be possible to carry a railroad to Brantford, to connect the London and Western Districts with Lake Ontario, it would be the route both for goods and passengers from the extensive territory of Michigan and the Western States. The excitement it has produced, and the arguments by which respective routes are sustained, will be seen by reference to the appendix.

PRICES CURRENT IN UPPER CANADA.

Hamilton, Feb. 20, 1836.

Wheat, per 60 lbs.....	7s.
Flour, per 100 lbs.....	\$3
Oats, per bushel.....	2s. 6d.
Beef, per cwt.....	\$5 to \$5
Pork, per cwt.....	\$4 to \$5
Butter, per lb.....	1s. to 1s. 4d.

New York currency.

Cobourg, Feb. 23, 1836.

Wheat, per 60 lbs.....	3s. 9d. to 4s. 3d.
Flour, superfine, per barrel.....	22s. 6d.
Flour, fine, per barrel.....	20s. to 21s. 3d.
Oats, per bushel.....	1s. to 1s. 3d.
Peas, per bushel.....	2s. 5d.
Beef, per cwt.....	22s. 6d.
Butter, per lb.....	7d. to 9d.
Pork, fresh, per 100 lbs.....	22s. 6d. to 25s.

Halifax currency.

Kingston, Feb. 23, 1836.

Wheat, per 60 lbs.....	4s. 3d. to 4s. 6d.
Flour, fine, per barrel.....	25s. to 27s. 6d.
Oats, per bushel.....	1s. 3d. to 1s. 6d.
Beef, per cwt.....	17s. 6d. to 20s.
Pork, fresh, per 100 lbs.....	25s. to 27s. 6d.
Butter, per lb.....	7d. to 8d.

Halifax currency.

As a great proof of the great trade which Hamilton carries on, through the Burlington Bay canal, in one week during the month of July, in the present year, and from one of the four wharves at Hamilton, was shipped 17,000 bushels of wheat, per bushel at this time \$1.

APPENDIX VI.

EXTRACT FROM "SOUVENIRS OF THE PAST."¹

At the time I write of, say 1815 to 1835, a strong bond of friendship prevailed amongst the peaceable inhabitants generally, engendered and fostered, no doubt, by the difficulties, hardships and privations surrounding them in a new country. A man's word was as good as his bond. Robbery or murder was very seldom heard of. The mails, containing large sums of money, often carried on foot (it took exactly two weeks to go and return with the mail from Sandwich to Little York on foot), the roads being impassable for horses or vehicles throughout the length and breadth of the province. It was a matter of frequent occurrence for the banks, merchants and others, to remit, by private hands, large sums of money—no receipt asked for or given. As an instance: in the month of November, 1834, on my way up from Quebec to Sandwich I was compelled to lay over at Brantford, the roads being impassable for the stage. On the evening previous to my departure thence, I had retired to rest, when, about midnight, I was aroused by the pressure on my shoulder of a heavy hand, and confronted my disturber, who, in a night cap and gown, with a lighted candle in one hand, and a package in the other, startled me a little. Apologizing for the intrusion, he asked me if my name was Baby, and answering him in the affirmative, he introduced himself as Mr. Buchanan, the then British Consul at New York, stating that he was on his way to the Township of Adelaide to visit his son, who was settled there, and then proceed on to Sandwich, but finding the roads in such a state, abandoned the idea, and made up his mind to return home, informing me that he had a package from the Commercial Bank at Little York for their agent at Windsor, James Dougall,

¹By William Lewis Baby. From chapter called "*Old Family Compact*," page 40.

Esq., and would I not take charge of it? I told him I would rather not, as I did not know how I was to get through myself; but to get rid of him I told him to pitch it into my trunk, which was open, and it would have to run the chances. After doing so, he bid me good-night and retired. This package contained \$25,000, so Mr. Dougall, the agent, told me when I delivered it to him a month later.

On the following morning I left for London on foot, and my trunk to follow on the next stage, which did not reach me until three days after. If it were possible, I found the roads still worse westward, and made up my mind to float down the Thames from London, and as there was no boat to be had, I hired a carpenter, and with my little engineering skill, built a kind of skiff, with three boards, filled it half full of straw—the weather being very cold—threw my trunk, package and all, into it, and amidst a flow of ice running six miles an hour, started on my voyage, paddling my own canoe, and encouraged by a cheer from John Harris, treasurer, Willson, Becher and Stewart, lawyers, of London, who stood on the bank watching my departure. A three days' run brought me to Gardener's mill dam, in Mosa, and landing above it, hired a mill hand to jump the skiff, trunk and package still in it though, over the mill race, which he successfully accomplished; but how, it puzzles me. Another two day's run brought me to within four miles of Chatham, when the river being blocked with ice, I landed and reached Chatham on foot the same day, all right.

APPENDIX VII.

A PROPOSAL SUBMITTED IN 1837 FOR THE REFORM OF OUR CURRENCY.¹

The neglect to provide a sufficient and efficient currency, by the government of Great Britain through the greater part of the long reign of George III., even more marked in the North American colonies, was continued among them long after the defect had been remedied in the mother country. This neglect was such that the colonists had to content themselves with a motley assemblage of gold and silver coins of Spain, France, Portugal, Great Britain and the United States, supplemented with an always superabundant supply of very light private copper tokens.

These different coinages were rated at relatively different values by the Governments of the different provinces now forming the Dominion of Canada. Thus some one or two coins were rated higher in one province than in the others, while other coins were rated lower. This caused a flow of the highly rated coins to that province. An instance of this was the rating of the worn French half-crowns at fifty-five cents in Lower Canada, while they were only received at fifty-one or fifty-two cents in Upper Canada and the other provinces.

This overrating of the French half-crowns in Lower Canada is referred to in a dispute between the Bank of Montreal and the Quebec Bank regarding the opening up of a branch of the former in Quebec. The latter bank, among other complaints, affirmed that the Bank of Montreal paid out exclusively French half-crowns at its branch to the great loss of the citizens of the capital.

¹From *The Canadian Antiquarian and Numismatic Journal* (July, 1908), 3rd Series, V, 103.

An old document, from the Canadian Archives, Series Q, Vol. 241-1, page 96, lets in so much light on this question that I have determined to publish it in full. It is a scheme for the reform of the currency of the British North American colonies, worked out by Mr. R. Carter, who, as he claims, traversed British America in 1836-1837, setting up agencies of the Bank of British North America.

After describing the condition of their currency, he suggested to the Lords of the Treasury that the Government should assume the regulation of the currency of all the provinces so that the same practice and laws relating to money should be made to prevail among them. He also suggested the coinage of special silver and copper money to circulate in these colonies and that the Halifax currency be retained to the exclusion of the sterling currency and the decimal system. While he admitted the decimal system to have been preferable in many ways, he believed that, as the old state systems still prevailed fifty years after the adoption of the national currency in the United States, it would be difficult to adopt a similar currency in Canada.

Still he advocated that the retention of the Spanish and United States dollars in the Halifax system at five shillings would be beneficial.

The suggestion of assimilating the currency laws foreshadows Confederation by easy stages, as such assimilation would have led to the same results in commercial and other necessary interprovincial legislation.

The following is the document in question.¹

R. W. McLACHLAN.

¹By the kindness of Mr. Wm. Smith, of the Public Archives at Ottawa, this document has been compared with the original on file at Ottawa, and the text of the original is followed in this reprint.

No. 11 Leadenhall Street,

26th October, 1837.

My Lord,

Having had occasion during the last year to visit the principal places in all the North American Provinces (except Newfoundland) for the purpose of establishing the Branches of the Bank of British North America, my attention was necessarily directed to the state of Currency and the Laws by which it was regulated in the different colonies; and as it appeared to me at the time I visited them (which was prior to the suspension of specie payments by the Banks) that the commercial affairs of those Colonies were injured by the deranged state of their Currency to a greater extent than by any other cause, I trust that I shall be pardoned for intruding the subject on your Lordship's notice, and earnestly entreating that it may receive immediate and serious attention at the hands of Her Majesty's Government.

In framing the Constitution of the United States of America, altho' the several States were anxious to reserve to themselves the rights of Sovereignty within their own Territories and jealous of relinquishing any such rights to the Federal Government, it was most rightly resolved to confer upon the latter the sole power of coining Money within the United States, and of fixing the rates at which Foreign Coins should pass Current and be legal tender therein; and the several States are expressly prohibited from exercising such power, and also from issuing "Bills of Credit" or other paper circulation.

Unfortunately a similar course has not been pursued in the Government of the present British Possessions in North America; but the Legislature of each Province has been allowed to alter the currency under the pressure of any temporary difficulty, or supposed necessity, by which the value of property has been changed and all Mercantile affairs deranged from time to time; and the result is that altho' one money of Account (the Halifax Currency of 5/ to the Dollar) is common to

the whole, no two of the Colonies accord together in their Currency Laws, not one of them agrees with the Currency of the United Kingdom, nor does any one of them agree with the Currency of the United States.

In order to present the Subject to your Lordship in the most compendious form, I enclose a Table of the principal Coins current in North America, with their value in the United States and in each of the Colonies expressed in Halifax Currency; the figures in Black Ink denoting the valuations affixed by Law; and those in Red Ink being explained in the notes at the foot of the Table.

It may be anticipated that where any particular Coin is rated at a nominal Value higher than other Coins with reference to their respective intrinsic Values, the former will in great measure drive the latter out of circulation—it is accordingly found that the Currency of Lower Canada is depreciated by the old French Half Crowns which, altho' so much worn as to be intrinsically of less value than half dollars, are made Current by Law, without limitation of amount, at three pence currency each more than the half dollars; while in Upper Canada and Nova Scotia a similar effect is produced on the Currency by British Silver, which circulates at the rate of 4s. to the dollar, altho' in consequence of their being coined at 5s. 6d. Stg. to the ounce the 4s. are intrinsically worth no more than 87 cents, and even estimated at their current Value in this Country they are only equal to 96 cents.

The inter-Colonial Exchanges as well as those between the Colonies and the Mother Country are necessarily, and very inconveniently, affected by the Variations of the metallic Standard in the different Colonies; for instance during the Summer of 1836, when I was in the Lower Provinces, the current Premium on Bills on London was $3\frac{1}{2}$ per cent higher at Halifax, Nova Scotia, than at St. John, New Brunswick; those two Cities being in constant communication with each other, and little more than one day's journey apart. The risk and expense of conveying specie from one to the other

would be covered at a cost of $\frac{1}{4}$ per cent, and the Banks would effect the exchanges between them for not exceeding $\frac{1}{2}$ per cent. if the same Metallic Standard prevailed in both Provinces; the difference of 3 per cent. being clearly attributable to the greater depreciation of the Currency in Nova Scotia than in New Brunswick.

But the depreciation of Currency in Nova Scotia is not limited to the value of Coins Current therein; it is also seriously affected by the circulation of notes (principally of the denomination of 20s. currency each) to the extent of about £60,000, issued by the Province Treasury, which are not redeemable in Specie, and are kept afloat by their being received in payment of Provincial duties, and by the operation of a local Statute which prohibits the issue of Bank Notes, or any other description of paper under £5. These Province Notes are sold in the adjoining Province of New Brunswick at 18s. 9d. to 19s. 6d. Cy. to the £.

The evils of an irredeemable Circulation are still more fully developed in Prince Edward Island where similar notes to the amount of about £16,000 are in circulation. They have driven Specie almost entirely out of the Island, altho' 30s. in those notes are given for 20 English shillings in silver; and they are so little esteemed in the neighbouring Provinces that they have been sold by Auction in Halifax at the rate of 11s. currency for 20s. of the notes.

An universal concurrence of opinion prevails in all the Colonies that the present condition of the Currency Laws is productive of evils of the greatest magnitude, and that important benefits would result from the same Metallic Standard of value being established by Law in all of them; but undoubtedly there is considerable diversity of opinion as to the mode in which it should be effected; so much so that I am satisfied if still left in the hands of the Local Legislatures, they will never agree together upon any plan for the purpose, and the intervention of the Royal Prerogative or of the power of the Imperial Parliament appears requisite.

In urging this important measure upon Her Majesty's Government, I have no wish to intrude my views as to the most efficient plan to be pursued. I consider it to be of the greatest consequence to the Colonies that an uniform Currency Law should be established, and I look upon the mode in which it may be effected as a matter of comparatively minor importance, it is therefore with the utmost deference that the following suggestions are offered.

It is no doubt desirable that the change to be made should be to the smallest practicable extent, to avoid enlisting the prejudices of the population against it. The decimal system which has been for many years established by Law for the money of account in the United States is the most simple and convenient that can be desired for that purpose, and yet the old Colonial system of reckoning in shillings and pence is continued to the present day in almost all the minor affairs of life, varying in the different States as it did before the Revolution—so that in New England the dollar still contains 6 shillings, in New York 8 shillings—in Pennsylvania, 7s. 6d., etc.

It is proposed by some parties at present that Sterling should be introduced as the money of account in the North American Colonies, and by others that dollars and cents should be substituted. I have listened attentively to the arguments of both these parties and have not discovered any sufficient reason for making an alteration in this respect and believe it will be most politic to allow the Halifax Currency to remain the money of account, as it now is in all the Colonies.

It appears to me to be impossible to detach the monetary affairs of these Colonies, in times of peace, from New York, the great money Market of America, which must always be the centre of a large portion of the Exchange transactions of the Colonies. The dollar which is the Monetary unit and real standard of Value in the United States, has always been the nominal Standard of value also in the Colonies, and seems to be almost universally acknowledged as the *natural* Standard of the Western Hemisphere.

My first proposition therefore is that the silver dollar and half dollar of Spain, South America and the United States be legal tender at the rate of 5s. currency to the dollar.

Secondly, that the French Crown and 5 Franc piece be also legal tender at their exact intrinsic value in comparison with the dollar. This appears advisable for two reasons; 1st in order to conciliate the prejudices of the French Inhabitants of Lower Canada to whom those Coins are familiar; and 2nd because they are legalized in like manner in the United States.

For the protection of Creditors they should be empowered to reject such Coins if more than a small specified per centage below their full Standard weight; and the Coins representing the fractional parts of those above named should not be made a legal tender on account of the great depreciation to which small coins are subject from wear and tear.

The coins before mentioned to be the *only* legal tender in discharge of debts exceeding 50s. and not exceeding £50 Currency.

My third proposition is that in respect of debts exceeding £50 the debtor should have the option of paying either in the above Silver Coins, or in the gold coins of England, Portugal, the United States, France and Spain, by weight, at rates to be fixed with reference to the ascertained purity of the issues from the mints of the respective Countries.

A strong desire exists in all the North American Colonies for a silver coinage of *Current* shillings and six penny pieces, to pass as small change in their relative proportions to the dollar, of $\frac{1}{2}$ and $\frac{1}{10}$, and if Her Majesty's Government should undertake such a coinage for the exclusive circulation of the colonies, the Inhabitants would be highly gratified, and I am satisfied would be also much benefitted by it, as the only small silver coins now in circulation are debased to a lamentable degree. The proposed new coinage should be strictly subsidiary, and a legal tender only to the amount of 50s. at one time; and should be of proportionate weight to the

similar coins of this country so as to leave to Her Majesty's Mint the same rate of Seigniorage, making their circulation profitable to the Government, as well as beneficial to the Colonial Community. They might also be employed for payment of the Troops in America greatly to the advantage of the men.

It appears to me that the objections to the circulation of British Silver Coins, in any shape, in the Colonies are insuperable. They are a depreciated coin, fit only for their legitimate purpose—the subsidiary circulation of this Country.

A coinage of Copper Half Pennies for the special use of the Colonies is also greatly desired to displace the miserable "Coppers" which are now in Circulation consisting of base coin and tokens of all descriptions, and frequently pieces of sheet copper which have never been impressed with any die, and do not weigh more than a fourth to a half of the weight of the English Halfpenny. Such new coin should be made the only legal tender in Copper, and that in sums not exceeding one shilling.

The present time is most propitious for the introduction of an uniform Currency Law in the North American Colonies, where the almost universal suspension of specie payments has unsettled all contracts and engagements between man and man, so that it cannot now be urged, as it might be at another period, by those opposed to the measure, that the existing commercial and monetary affairs of the Colonies would be disturbed, and injustice done to Debtors, by the establishment of a sounder currency. Debtors who for many months have been unable to discharge the claims upon them in the money in which their debts were contracted, will not have grounds of complaint, if hereafter they are called upon to pay in money which is in a small degree more valuable.

I have the honor to be, My Lord

Your Lordships most Obed't very humble servant

R. CARTER.

The Right Honorable Lord Glenelg, Etc., Etc., Etc.,

COINS	United States				Lower Canada				Upper Canada				Nova Scotia		New Brunswick				Prince Edward Island			
	Weight		Halifax Currency		Weight		Halifax Currency		Weight		Halifax Currency		Halifax Currency		Weight	Halifax Currency		Weight	Halifax Currency		Halifax Currency	
	Dwt.	Grs.	£	s. d.	Dwt.	Grs.	£	s. d.	Dwt.	Grs.	£	s. d.	£	s. d.		£	s. d.		£	s. d.	£	s. d.
GOLD																						
British Guinea.....	5	9½	1	5 6 10	5	6	1	3 4	5	9½	1	5 6										
Sovereign.....	5	3½	1	4 4 10			1	2 2 8	5	3½	1	4 4	1	5								
American Eagle coined before 1st July, 1834.....	11	6	2	10	11	6	2	10		6	2	13 4										
American Eagle coined since.....	10	18	2	10			2	10	10	18	2	10	2	10								
Portuguese Johannes.....	18	6	4	5 3 10	18	4	4															
Moldore.....	6	18	1	11 1 10	6	18	1	10														
Spanish Milled Doubloon.....	17		3	16 5	17	3	14 6						4		17	8	3	15 6				
French Louis d'Or coined before 1793.....	5	4	1	4 0 10	5	4	1	2 8														
Pistole coined before 1793.....	4	4		19 4 10	4	4		18 3														
40 franc piece coined since 1792.....	8	6	1	18 4 10	8	6	1	16 2														
20 franc piece coined since 1792.....	4	3		19 2 10	4	3		18 1														
SILVER																						
British Crown (Half Crown in proportion).....				5 5 10				5 6				6		6 3			5 6 8			5 6 8		7 6
Shilling (Six Pence in proportion).....								1 1				1 3		1 3			1 1 8			1 1 8		1 6
French Crown.....				5 5 10				5 6									5 6					
Half Crown.....								2 9														
American Dollar.....				5				5				5		5			5			5		6 3
Spanish Milled Dollar.....								5				5		5			5			5		6 3
South American Dollar.....				5				5				5		5			5			5		6 3
Mexican Dollar coined in 1831, 1832, 1833.....												5										
Pistareen.....												5										
French five franc piece.....				4 7 10				4 8														

Red ink figures spoken of in the text are shown in dark-faced type.

UNITED STATES.

The Gold Coins of the following Countries are legal tender by weight, viz: Great Britain, Portugal and Brazil at $94\frac{8}{10}$ cents per dwt. France at $93\frac{1}{10}$ cents and Spain at $89\frac{9}{10}$ cents. For the sake of comparison the weights given in the Upper Canada Act are assumed for the British Coins and the weights in the Lower Canada Act for the other Gold Coins. The American Eagle coined before 1st July, 1834, altho' nominally of the value of \$10 only sells at a premium equal to its excess of weight over the new coinage. Silver Dollars, Crowns, five franc pieces and Pistareens are legal tender by *tale*.

LOWER CANADA.

The rate (*sic*) given in the table are for Gold Coins weighed by the single piece, allowance to be made on every piece weighing more or less than the given standard at $2\frac{1}{4}$ currency per grain if British, Portuguese, or American, and at $2\frac{1}{5}$ currency per grain if French or Spanish. In payments above £20 Cy. in Gold Coin either party may require it to be weighed in bulk at 89s. Cy. per ounce troy for British, Portuguese, and American, and 87s. $8\frac{1}{2}$ Cy. per ounce for French and Spanish deducting half a grain for each piece so weighed, to compensate the receiver for the loss in reweighing separately. The Currency Law was passed prior to the coinage of Sovereigns and new Eagles. The Silver Coins are rated by *tale*. All the higher and lower denominations of Gold and Silver Coins rated above are to be received in their respective proportions.

UPPER CANADA.

Gold and Silver Coins if depreciated in weight more than $\frac{1}{25}$ part of their full weight not to be legal money with the proviso they are receivable by *tale*. All the higher and lower denominations of rated Gold and Silver Coins are to be received in their respective proportions. The Act is to remain in force until the 20th of April 1840 and to the end of the then next ensuing Session of the Provincial Parliament.

NOVA SCOTIA.

The Currency Law of this Province having expired on 31st Dec. 1835, I have inserted the rate at which coins are received and paid at the Colonial Treasury, by virtue of the Acts 6th William IV., C. 32 and 41, and which are generally adopted in mercantile transactions, the Banks however refuse to receive British Silver at the excessive rates given above. About £60,000 in notes (principally of one pound each) issued by the Provincial Treasury are in circulation, and as they are not redeemable in Specie they are at a discount in the adjoining Province; their credit and circulation are supported in Nova Scotia by their being receivable in payment of Provincial duties and by an Act of the Legislature which prohibits the issue of any other Notes of less denominations than £5.

NEW BRUNSWICK.

British Gold and Silver Coins are not specifically rated by the Currency Law of this province, and they are inserted in the table at $\frac{1}{5}$ more than their Sterling value, being the only rate at which they are legal tender. A Bill was introduced in the Provincial Legislature in the Session of 1837, fixing a rate on the Sovereign, but I do not know whether it has received the Royal Assent. The Dollar and its aliquot parts and the French Crown are all legalized by *law*, but not the Half Crown.

PRINCE EDWARD ISLAND.

There is no specific regulation of the currency in the Island; the British Coins are consequently inserted in the table at $\frac{1}{5}$ more than their Sterling Value. The money of Account has been depreciated by the issue of irredeemable Treasury Notes, which are in circulation to the extent of about £16,000, and pass at 30s. to 20s. in British Coin. These notes have been sold by Auction in Halifax at 11s. Halifax Currency per £.

APPENDIX VIII.

THE GOLD COINAGE OF BRITISH COLUMBIA.

The few coins struck as specimens at the British Columbia mint at New Westminster have been much sought after. One of the trial pieces in silver was sold about five or six years ago at Christie's for £150, and Messrs. Spink and Son, the well-known numismatists and art collectors of London, England, have at present (April, 1919) in their possession a \$10 piece and a \$20 piece, both in silver, which are on sale for £270 the pair. One of the \$20 gold pieces was sold by auction at Sotheby's in 1911 for £210. The number of gold pieces struck has also been a point of interest which we have been unable to elucidate fully, although sufficient evidence has been obtained to disprove some of the smaller estimates which have been made. The number has usually been placed at ten, five of each denomination, but at least seven \$20 coins now appear to have been definitely accounted for.

Apparently the records of the government bearing upon these coins have been lost. In a letter written in 1906 to an officer of this bank by the Deputy Minister of Finance of British Columbia, the late Mr. J. McB. Smith, he states that an old record of them had existed in a book kept at the treasury and containing the details of cash balances. The item was entered as "unissuable gold coin" and, according to Mr. Smith's recollection, the balance was \$140, which he believed to represent four \$20 coins and six \$10 pieces. Unfortunately the book had been lost and could not be found; the supposition was that it had been destroyed at the time of the removal of the Department of Finance into the new building at Victoria. It is, of course, possible—indeed, it seems quite probable—that the balance in the treasury book did not include the set of coins presented to the British Museum in

1864 by Governor Seymour, but a more probable story is that told by Major Ernest A. G. Gosset of Chiswick, England, son of Captain W. Driscoll Gosset, R. E., who was Treasurer of the colony and Master of the Mint at the time when the coins were struck. Writing in 1912 to a collector in London, Major Gosset stated that his father had often told him that he had minted only twenty of these coins. The following list shows the whereabouts in 1919 of the gold coins as far as it has been found possible to trace them through enquiries prosecuted over a number of years:

The British Museum.....	\$20	\$10
Collection of the late Colonel H. Leslie Ellis, London, Eng. ¹	20	10
The Provincial Treasury Department, Victoria, B.C.....	20	..
The Canadian Bank of Commerce.....	20	..
Mr. L. Norris, Vernon, B.C.....	20	..
A collector on the continent of Europe.....	20	..
Owned in London, Eng.	20	..
Mrs. Martha Smythe, Somenos, B.C.....	..	10
Mrs. John Robson, Victoria, B.C.....	..	10

In addition, Judge Drake, of Victoria, B.C., at one time owned a \$10 coin which was lost by his son some years ago, so that it is impossible to tell whether it is included in the list above or not.

The two coins in the British Museum were presented to it in 1864 by Governor Frederick Seymour, successor to Sir James Douglas as Governor of British Columbia. The coins in the collection of the late Colonel H. Leslie Ellis were sold to him in 1903 by Messrs. Spink and Son and came from the collection of the late J. G. Murdoch. It is possible that the \$10 coin is the one formerly owned by the Garesché Green Bank of Victoria, B.C., and sold by them to Messrs. Spink and Son, as Mr. Murdoch purchased his \$10 coin from Messrs. Spink and Son. The \$20 coin owned by The Canadian Bank of Commerce was purchased in 1905 from Mr. C. G. Major of New Westminster, B.C. The coin belonging to Mr. Norris was previously owned by Mr. James Tunstall, Vernon, B.C., who

¹Now owned by Mr. Virgil M. Brand, of Chicago.

purchased it from Mr. G. Martin, of Victoria, B.C. The \$20 piece owned by the continental collector was sold to him by Mr. A. H. Baldwin, numismatist, of London, England, who purchased it at auction at Sotheby's in July, 1912. The previous owner was Major Ernest A. G. Gosset, referred to above, who stated that it had been in the possession of his father, Captain W. D. Gosset, who minted these coins, until his death in 1899. The owner of the remaining \$20 piece is unknown to us, but Mr. Baldwin vouches for its existence. The \$10 coin owned by Mrs. John Robson was the property of her late husband, formerly Premier of British Columbia.¹ Mrs. Smythe is the widow of Wm. Smythe, also a former premier of the province.

There are also in existence a number of silver proofs of these coins struck as trial pieces.² According to Dr. J. S. Helmcken, silver specimens were sent to the Secretary of State for the Colonies in 1862. Another set is in the possession of a Mr. Claudet, a son of Mr. Francis George Claudet, the assayer of the British Columbia mint at the time when these coins were struck. A third set is held for sale by Messrs. Spink and Son, Limited, London, as already noted. The \$10 coin of this set was obtained by them in Paris, where it had been in one collection for between forty and fifty years. The \$20 piece was purchased at auction at Sotheby's in May, 1912, and is reported to have been originally in the collection of Captain W. D. Gosset, who was a collector of coins. It next turned up in the hands of a Miss Millard, a collector of curios at Teddington (near Chiswick), by whom it was sold to Lieutenant-Colonel Simonet. From him it passed to Messrs.

¹In an article on these coins in the *Numismatist* for April, 1900, Mr. R. L. Reid, barrister, of Vancouver, who takes a keen interest in numismatics, credited Mr. Alfred Knevet de Knevet, of Brussels, formerly a resident of British Columbia, with owning a specimen of these coins, but Mr. Knevet states that this is a mistake, as none of them has ever been in his possession.

²According to E. H. Adams, in the *Numismatist*, May, 1909, Küner struck several trial pieces in silver on a coinage press owned by the jewellery firm of Lemme Bros., San Francisco, before turning the dies over to the authorities of British Columbia.

Spink and Son. Other silver \$10 coins are in the possession of Mr. A. H. Baldwin, of London, England, and Mr. W. C. Wilson, of Montreal, who each have one. Mr. Baldwin's proof was purchased from a married daughter of Albert Küner of San Francisco, who engraved the dies. Finally, Mr. Virgil M. Brand, of Chicago, has a set of these coins in silver, gilded. These are all the silver proofs of which any trace can be found.¹

Many years ago at Ottawa, while in the hands of a former owner, several bronze replicas were struck from the \$20 gold piece now owned by The Canadian Bank of Commerce. According to Mr. Reid,² this coin has been examined and weighed by Mr. Edward Riggs of the Royal Mint, and found to weigh 1.14 ounces troy—the intrinsic value, assuming it to be fine gold, being £4 16s. 10d. or about \$24.

As already mentioned, the dies were engraved in San Francisco by Albert Küner,³ a Bavarian cameo cutter and engraver, one of the Argonauts of '49. On his arrival in San Francisco he was at once employed by Messrs Moffat and Company to cut the dies for a \$10 gold piece, the first coin issued by that well-known firm of private coiners. Mr. Küner was for many years, and up to the time of his death in 1906, the leading engraver on the Pacific Coast of the United States. It is said that he designed and engraved the dies for a large number of the private gold coins issued during the pioneer days of California. Under the wreath on the reverse of the

¹Mr. R. L. Reid in his article on "*The Gold Coinage of British Columbia*," *Journal of the Canadian Bankers' Association*, XXV, 282, after stating that the coins referred to in his article are the only specimens in existence, continues as follows: "Pieces of the value of £76 in all were ordered struck by the Governor, for transmission to the International Exhibition of 1862 at London. They were forwarded in due course, with instructions to the agents of the colony that after the close of the exhibition they were to be melted and the bullion placed to the credit of the colony. There is no doubt but that this was done. No official coinage was ever issued."

²*The Numismatist*, April, 1900.

³It is said that Küner's real name was George Ferdinand Albrecht Küner, but that after his arrival in San Francisco he was known as Albert.

British Columbia coins may be found the lettering "Küner f" meaning "Küner fecit." It is understood that the design of the coins was the work of Captain Gosset (see plates 36 and 37). The designs of both denominations are similar, except as to size and the words denoting the value of the coin. As they were not issued from a Royal Mint the coins do not bear the head of Queen Victoria and were not legal tender. At the same time authority was given to the Governor to declare them legal tender for a limited period, such as a year, and to extend the period by proclamation.

The building in which these coins were struck, and which was intended to be used as a mint, has disappeared. It was erected by the company of Royal Engineers then quartered in New Westminster, and is said to have been on the site of the present city hall. The machinery, which had been purchased second-hand in San Francisco by Mr. F. G. Claudet, the assayer, lay for many years in the cellar of the library building at New Westminster. The dies from which the coins were struck were discovered some years ago in an old closet in the office of the British Consul at San Francisco, in a tin box marked "Government of British Columbia." The obverse dies had been mutilated by a hammer as a protection against their misuse. They are now in the possession of the Provincial Archivist of British Columbia.¹

¹The principal sources of information regarding these coins are as follows:

1. "The British Columbia Gold Coinage," by R. W. McLachlan, in *The Canadian Antiquarian and Numismatic Journal* (April, 1883), II, iv, 169.

2. "The Gold Coins of British Columbia," by Dr. J. Bonar, Deputy Master of the Canadian Branch of the Royal Mint, Ottawa, *Journal of the Canadian Bankers' Association*, (Jany. 1910), XVII, 122.

3. "The Gold Coins of British Columbia," by R. L. Reid, K.C., in *The Numismatist* (April, 1900), XIII, iv, 101.

4. "Facsimiles and a History of Specimen Gold Coins made in British Columbia in 1862," by J. S. Helmcken, a pamphlet published for the benefit of the Protestant Orphans' Home, Victoria, B.C.

5. "Ottawa Mint Sovereigns of 1908, not the First," by Edgar H. Adams, in *The Numismatist*, May 1909, p. 136.

6. "The Gold Coinage of British Columbia," by R. L. Reid, K.C., *Journal of the Canadian Bankers' Association* (July 1918), XXV, 279.

Because of its interest in connection with this subject we venture to reprint below in full a despatch from Governor Douglas to the Duke of Newcastle, Secretary of State for the Colonies, dated November 14, 1861:

“My Lord Duke:

“Much inconvenience and loss have, ever since the formation of these colonies, been occasioned by the want of a circulating medium of fixed and recognized value equal to the business demands of the country.

“The scarcity of coin has been so great that, gold dust not being received for duties, importers of goods have found it difficult at all times to make their custom-house payments, and as is well known, are frequently compelled to borrow money for that purpose at exorbitant rates of interest, varying from two per cent. per month and upwards. Almost all the business of the country is transacted in gold dust of uncertain value, and it is easy to conceive the difficulty and inconvenience of adjusting payments by such means when the holder and receiver are both alike subject to loss, and fearful of imposition.

“2. The effects of an over-restricted monetary circulation are now, however, operating so fatally in both colonies that it is indispensable to devise a remedy for an evil that is sapping the very foundations of our prosperity. To illustrate this fact, I would inform your Grace that at this moment there is an amount of gold dust, in the hands of miners from Caribou, residing at Victoria, exceeding one-quarter of a million sterling, and so great is the present dearth of coin that it brings a premium of five per cent. and over, when procurable, which is not generally the case, as men may be seen hawking bars of gold about the streets of Victoria who cannot raise coin enough, even at the high rates of discount just mentioned, to defray their current expenses. The miners and other holders of gold dust are naturally incensed, and refuse to submit to this depreciation on the value of their property, when they know it can be converted into coin for the moderate charge of one-half

of one per cent. at the United States branch mint in San Francisco; making an important saving to them of four and a half per cent. They are consequently leaving Victoria by every opportunity, and it is most painful to witness a state of things which is rapidly driving population and capital from the country.

"3. It has been suggested that an issue of notes of varying values, guaranteed by Government and payable on demand at the public treasury, would, by providing a cheap and simple medium of exchange, meet the evil; but, independently of the general objections to a paper currency, its effect in banishing the precious metals, in producing unhealthy inflation and rash speculation, and the fluctuation in the value of the circulating medium, it appears to me that the ramifications of business are not extensive enough to retain the notes in circulation; they would therefore simply return to the treasury and soon exceed our means of payment.

"4. This I conceive would be the inevitable result of an issue of paper in the present condition of the colony, unless the notes were made legal tender, a measure which I am not prepared to recommend.

"5. As a safer remedy, and one more suitable to the actual circumstances of the colonies, I propose to take immediate steps for the manufacture of gold pieces, equal in value to the ten and twenty dollar American coins, and to bring them into general use as a circulating medium in both colonies. This plan does not contemplate refining the gold, as the expense would be greatly increased by that process; it is merely proposed to bring it to a uniform standard of fineness, without separating the natural alloy of silver which to some extent exists in all the gold of British Columbia. The pieces will be prepared at the Government assay office, and will bear the stamp of unquestionable character; and I am of the opinion that by making the gold contained in them of the full correct value of the piece, without taking the silver into account, which I propose should go as a bonus, they will not only answer as a

cheap and convenient currency within the colonies, but also have the same exchange value when exported to other countries.

"6. It appears from experiments made by Mr. Davidson, a gentleman of large business experience and agent for Rothschilds at San Francisco, that the average fineness of California gold in its natural state ranges between 880 and 885, that is to say, in valuing the samples brought to him for sale, his calculations have always been based on those figures and have never proved defective. This shows that some simple process for roughly determining the value of Fraser river gold may also be arrived at, and that knowledge will facilitate its reduction, within ten or twenty thousandths, to a uniform degree of fineness, in order that the pieces representing the same value may not vary in weight.

"7. All the machinery required for this purpose may be procured at San Francisco for the moderate sum of five hundred pounds, and, without materially adding to the expense of the present assay establishment, Mr. Claudet thinks it will be in his power to manufacture all the pieces wanted for the circulation of the country.

"8. I have submitted this plan for the consideration of the principal banking and commercial houses of Victoria, with the object of obtaining their views as to the principal effects of the proposed currency on the general business of the country, and more especially as to its exchange value when exported to pay for supplies, the single point which I think admits of any question, for in that case it would probably be treated as simple bullion.

"9. It was clearly proved by the statements of those gentlemen that the actual cost of importing coin from other countries is rather over five per cent., which they believe to be the actual cost of our present metallic currency. Not having had sufficient time for consideration, they were not, however, prepared to give a decided opinion on the general measure, but they admitted that it would establish the value of the gold produced in British Columbia in the cheapest manner and

provide a metallic currency for the country at a cost of four per cent. less than is paid for imported coin, and offered no objection either to the plan or to the basis of the proposed currency.

"10. If the principal banking and mercantile houses agree among themselves to receive this currency as a legal tender, no difficulty will be experienced in carrying the measure into effect, and no reason exists why it should not receive their hearty support, as it will surely tend to their advantage, not only by the saving, as before shown, of four per cent. on the cost of importing coin and the complete removal of the cause which is draining the country of wealth and population, but also in the numberless other ways by which the investment of capital serves to promote the general prosperity.

"11. I will only further remark that, considering the great importance of the object in view and the advantages expected from the operation of this simple and inexpensive plan of providing a metallic currency of character unsuspected, and intrinsically equivalent to its stamped value, and therefore not subject to depreciation, nor open to the objections which may be urged against a paper currency, I can hardly doubt that Her Majesty's Government will in these circumstances withhold their approval or object to my declaring it a legal tender, and causing it to be received at all the public offices within the colonies in payment of duties and taxes, especially as there is no prospect of this currency being replaced by any preferable circulating medium, until the produce of gold by its abundance renders the establishment of a branch of the Royal Mint in British Columbia a public necessity."

APPENDIX IX.

DESCRIPTION OF A VISIT TO THE CARIBOO IN 1871.¹

The aspect of the country travelled through on the way to Cariboo is not promising as far as agricultural resources are concerned. The road passes through a very mountainous district for a long distance, much of the land being at too great an elevation to admit of cultivation. A large number of cattle appear to be fed, however, the range for pasture being almost unlimited, and the settlers on the roadside having a good market. Nearly all the settlers are increasing their possessions, and in many instances they boast of 300 to 400 head of beef cattle. The agricultural land in British Columbia is situated more to the south and east, where there are said to be large tracts of splendid land awaiting settlement. There are several small valleys in the upper country where good crops are raised, one farmer near Gold Creek (about 120 miles from Barkerville) having this year harvested about 2,000 bushels of wheat. The flour mills at Clinton (250 miles from Cariboo) last year ground 600 tons of wheat. Clinton appears to be the most important settlement on the road, though it can boast of but little in the way of population. The settlements observed as you pass through are very scattered, and the settlers for the most part make no attempt at tidiness in their surroundings, so that although they are doing well there is no appearance of thriftiness about them. Barkerville is a small place, consisting of one long street with buildings on each side, nearly all of which are occupied for business of some description. Williams Creek runs at the rear of this street, parallel with it. A good many men having left the district for Peace River this

¹The following description of a visit to the Cariboo is excerpted from a letter written in 1871 by Mr. W. C. Ward, then manager of the Victoria branch of the Bank of British Columbia, to his head office in London.

season, mining operations were not being very briskly prosecuted, and although the time of my visit was at the season when gold is generally being taken out largely, there was not much being extracted and business generally was dull. Lightning Creek, from which a great deal was expected this season, has proved a disappointment, there being but one company taking out good pay. Every person conversant with the district expressed the most sanguine conviction of the richness of the Creek, but although a very large amount of work has been expended upon it, success is delayed. It is now conceded that no results of any moment can be hoped for until steam machinery can be got to work, and efforts to obtain this are now being put forth, though the want of necessary capital is severely felt. Several applications for assistance from the bank have been made, but were refused as being out of our province, although probably the transaction might have proved safe and profitable.

I was enabled to visit the "Forest Rose" claim on Williams Creek, which is paying largely. It is a "hill claim" worked by steam machinery, and the amount of work which has been done underground greatly astonished me. The workings are about 130 feet deep and in some places 200 feet wide, heavily timbered everywhere to support the weight of earth above. This claim employs about 32 men and their pay dirt looks to be inexhaustible. They wash up about 240 ounces of gold per week, and their affairs are conducted in a most business-like way. A good deal of gold is being taken out in small quantities in different parts of the district, and there was no complaint of failure except as compared with the rich yield of former years. It is no matter of surprise that more miners do not visit the district, the length of the winter, and the general rigour of the climate, added to the arduous nature of mining in the neighbourhood, affording sufficient explanation on the subject.

Bullion purchased.—The number of bars bought is limited, the miners generally preferring to sell their dust if they wish to

realize on it. Traders frequently remit to Victoria by bar, with a view to saving exchange on drafts, and as there are now two express lines running, they can get them forward at cheap rates.

Gold dust purchased.—The competition of the Hudson's Bay Company and other traders in the buying of gold dust has narrowed the profit from this department of business to very meagre limits. The chief business houses now make a regular system of the purchase of dust for remittance, and as they can afford to offer a little advance even upon the high price given by the banks, in consequence of the saving of exchange which they effect by remitting dust, they of course can buy all they require.

APPENDIX X.

GOLD PRODUCTION OF BRITISH COLUMBIA

FROM 1858 TO 1888, INCLUSIVE.

YEAR.	Amount actually known to have been exported by banks, etc.	Amount added to represent gold carried away in private hands.	Total.	Number of miners employed.	Average yearly earnings per man.
	\$	\$	\$		\$
1858 (partial return)	548,000		*705,000	3,000	235
1859.	1,211,304	1-3rd 403,768	1,615,072	4,000	403
1860.	1,671,410	" 557,133	2,228,543	4,400	506
1861.	1,999,589	" 666,529	2,666,118	4,200	634
1862.	1,992,677	" 664,226	2,656,903	4,100	648
1863.	2,935,172	" 978,391	3,913,563	4,400	889
1864.	2,801,888	" 933,962	3,735,850	4,400	849
1865.	2,618,404	" 872,801	3,491,205	4,294	813
1866.	1,996,580	" 665,526	2,662,106	2,982	893
1867.	1,860,651	" 620,217	2,480,868	3,044	814
1868.	1,779,729	" 593,243	2,372,972	2,390	992
1869.	1,331,234	" 443,744	1,774,978	2,369	749
1870.	1,002,717	" 334,239	1,336,956	2,348	569
1871.	1,349,580	" 449,860	1,799,440	2,450	734
1872.	1,208,229	" 402,743	1,610,972	2,400	671
1873.	979,312	" 326,437	1,305,749	2,300	567
1874.	1,338,464	" 461,154	1,844,618	2,868	643
1875.	1,856,178	" 618,726	2,474,904	2,024	1,222
1876.	1,339,986	" 446,662	1,786,648	2,232	783
1877.	1,206,136	" 402,045	1,608,182	1,960	820
1878.	1,062,670	1-5th 212,534	1,275,204	1,883	677
1879.	1,075,049	" 215,009	1,290,058	2,124	607
1880.	844,856	" 168,971	1,013,827	1,955	518
1881.	872,281	" 174,456	1,046,737	1,898	551
1882.	795,071	" 159,014	954,085	1,738	548
1883.	661,877	" 132,375	794,252	1,965	404
1884.	613,304	" 122,861	736,165	1,858	396
1885.	594,782	" 118,956	713,738	2,902	246
1886.	753,043	" 150,608	903,651	3,147	287
1887.	578,924	" 115,785	693,709	†2,342	296
1888.	513,943	" 102,788	616,731	2,007	307

Total known and estimated yield of gold, 1858 to 1888. \$54,108,804

Average number of miners employed yearly. 2,775

Average earnings per man per year. \$622

*Waddington's estimate.

†Exclusive of a number of men working on or prospecting for quartz.

APPENDIX XI.

GOLD SHIPMENTS.

Letter from London manager of Bank of British Columbia, re Gold Shipments, containing pro forma statement of outcome of shipment of gold.

Oct. 17, 1863.

Previous to the receipt of this letter the directors had decided to have a shipment made of £2,000 in gold bars, as an experiment. I had made my calculations on a bar of gold purchased by you and entered in your monthly transactions on 13th July, viz.: No. 2347—316 oz.—850 fine, which at $1\frac{3}{4}$ discount cost \$5,455.30. The first part of the estimate, a copy of which I enclose, is a pro forma account of sale made by our bullion brokers, which shows what the gold would realize in London, and the second part shows the cost of shipment, and the amount you would have to draw to cover your outlay. The result is that, including the sixty days' interest on the use of the money before your draft would mature, there would be a profit of $\frac{5}{8}$ per cent. This, considering there is no risk, is a sufficient inducement to ship gold, in the absence of more profitable means of covering your drafts on this office.

PRO FORMA ACCOUNT.

1 Bar Gold						
Oz.	Dwts.	Silver	Standard	£	s.	d.
316	W6½	30	292.659 at 77/10½	1,139	10	10
Fine silver over 20 dwts. per lb., 263 dwts. at 5/6 per oz.				3	12	3
				1,143	3	1
				£	s.	d.
Melting—1/4 per oz.				6	7	
Assay.				4	0	
Brokerage 1/8%				1	8	7
					1	19
					3	11

GOLD SHIPMENTS

475

316 oz. of gold 850 fine.....	£1,141	3	11
Freight to Panama 1%.....	£27	2	0
Freight Panama Railway ¼.....			
Freight from Panama to London 1½.....			
Primage 5%.....	1	7	1
Insurance 1%.....	11	8	2
	<hr/>		
		39	17 3
	<hr/>		
Cash at Victoria \$5,455.30, which at 4.95 would amount to a draft on London for.....	1,101	6	8
	<hr/>		
	1,102	1	7
	<hr/>		
Loss on shipment.....		14	11
Sixty days interest on £1,101 at 4%.....	7	4	11
	<hr/>		
Net gain ⅝%.....	6	10	9
	<hr/>		

13th July. Bar No. 2347—316 oz., 850 fine,
\$5,552.46 at 1¾ discount = \$5,455.30.

APPENDIX XII.

NOTE ISSUES.

A.—THE HALIFAX BANKING COMPANY.

Little information is available regarding the earlier issues of the unincorporated company. The note for £1 10s., reproduced on plate 14 (facing page 76), is, so far as is at present known, the only existing specimen of the first issue. It was engraved by Peter Maverick, New York, is dated September 1, 1825, and is printed in black on white paper with a plain back. It will be noted that it is payable in specie or in province notes. The reason for the amount of this note is doubtless the prohibition contained in chapter xxxviii, Statutes of Nova Scotia, 1820, forbidding the issue of notes intended to circulate as money for a less sum than 26 shillings.¹ No doubt notes for other amounts were issued during this period, as may be gathered from the fact that the Bank of Nova Scotia, when it commenced business in 1832, issued notes for £1 10s., £2, £2 10s., £5, and £10.

Chapter lxii, Statutes of Nova Scotia, 1833, passed April 20, 1833, prohibited the banks in the province from issuing notes for a less sum than £5 currency and an Act of the following year (chapter xxiv) prohibited the reissue of any bank-notes expressed to be payable otherwise than in gold or silver. The experiment was then tried of issuing notes for odd amounts for change-making purposes. The Halifax Banking Company

¹This Act prohibited the issue of any notes for circulation by any person or persons for a less sum than 26 shillings. An Act of 1818 (chapter xxvii, 58 George III) had already prohibited corporate bodies, not expressly authorized to do so, from issuing circulating notes at all, and was, nominally at least, in force until repealed by chapter clxx, Revised Statutes of Nova Scotia, 1851. This prohibition may have had some influence in determining the organization of the Halifax Banking Company as a partnership, and not as a corporation.

issued notes for £5, £6, £6 10s. and £7 10s., which were printed by an unknown engraver in blue on white paper, with plain backs. This was commonly spoken of as the "old blue issue" and, as far as is known, continued in circulation until about 1863, when the first dollar notes were issued. The new notes were for \$20, the prohibition of notes for a less sum than £5, Halifax currency, being still in force, although the limit was changed to \$20 by chapter iii, 23 Victoria, 1860.

These \$20 notes were engraved by the American Bank Note Company of New York, and the face is printed in black, with a green tint in the signature panel and with a green panel underlying the words, "Twenty Dollars." On the face of this issue appears for the first time the view of Halifax and its citadel from the water front, which is so familiar in later notes of this bank. The design on the back is printed in green. These notes continued in circulation until the incorporation of the Halifax Banking Company in 1872, but in the meantime the confederation of the Dominion of Canada had taken place and the dollar, Canada currency, in use in the provinces of Quebec, Ontario and New Brunswick, was not of the same value as the dollar, Nova Scotia currency. Accordingly, we find in some of the earlier Acts of the Parliament of Canada dealing with banking, namely chapter ii, 33 Victoria, 1870, section 8, and chapter v, 34 Victoria, 1871, section 68, the proviso, that the Halifax Banking Company may, until the end of the year 1874, continue to reissue its \$20 notes then in circulation, but that the whole of such notes should, as far as possible, be called in and be withdrawn by the end of that year. In 1871, the same year as the later of these two Acts, another Act (chapter iv, 34 Victoria) was passed, providing a uniform currency for the whole of the Dominion of Canada and enacting that seventy-five dollars, Nova Scotia currency, should be equal to seventy-three dollars, Canada currency. It is said that the change had not been made earlier for political reasons. The new currency was to come into use in Nova Scotia on July 1, 1871, and section 5 of the Act prohibited the reissue by any

bank of notes payable in any other currency than the currency of Canada as then established. Whether this cancelled the permission given to the Halifax Banking Company, by the Act passed concurrently, to reissue its notes then in circulation until the end of 1874, is an interesting legal question. The records, however, show that the Halifax Banking Company at once took steps to issue \$20 notes in Canada currency, printed from the existing plate, but surcharged in red at each end of the face of the note, with the words "Canada Currency" on the medallion bearing the denomination. The date, July 1, 1871, was printed in red on these notes, the date on older Nova Scotia currency notes having always been written. As soon as possible, the words "Canada Currency" were engraved on the medallions above referred to, and the date, September 14, 1871, was also engraved. The \$20 notes from the old plate thus altered, continued to be circulated after incorporation and down almost to the time of the amalgamation with The Canadian Bank of Commerce in 1903. After the new currency standard came into use, the old \$20 notes issued in Nova Scotia currency were redeemable at a discount from their nominal face value. The plan adopted locally when converting Nova Scotia currency into Canada currency was to deduct $2\frac{2}{3}$ per cent. from the amount of the Nova Scotia currency, this being easier than to multiply by 73 and divide by 75. On this basis the exact value of the old \$20 notes became \$19.46 $\frac{2}{3}$, Canada currency, but it became the practice to redeem them at \$19.40. At the time of the incorporation of the Halifax Banking Company there were 886 of these notes outstanding, but this number had been reduced at the date of amalgamation to 24, only one of which has since been redeemed.

By an Act assented to June 14, 1872, the Halifax Banking Company was incorporated and assumed liability for all the notes issued in dollars which were then outstanding, including the old "Nova Scotia currency" notes. The incorporated bank did not become responsible for the earlier (Halifax currency) issues in pounds and shillings, but agreed to redeem

them on presentation, charging them to the account of Mr. Brenton Halliburton Collins, one of the former partners, who had undertaken to redeem them. The twenty-four Nova Scotia currency notes outstanding were valued on the books, as explained above, at \$19.46 $\frac{2}{3}$ each, or \$467.18 in all, at which figure the account still remains, and this, with the half of a \$5 note of another old Halifax Banking Company issue still outstanding, accounts for the odd amount of 68 cents appearing in the balance of the bank-note account of The Canadian Bank of Commerce, a fraction which has called forth many enquiries.

Strangely enough the old Nova Scotia statute prohibiting the issue of bank-notes for a less sum than \$20 remained in force until repealed by an Act of the Dominion Parliament (chapter xii, 33 Victoria), passed May 12, 1870, concurrently with the Act abolishing the issue of bank-notes for a less sum than \$4. Under these circumstances, steps were taken by the Halifax Banking Company immediately after incorporation to bring out a new issue consisting of notes for \$4, \$5 and \$10. These notes were engraved by the American Bank Note Company, New York, but the plates appear subsequently to have been transferred to the Canada Bank Note Company, Montreal, whose imprint or that of its successor, the British American Bank Note Company, Montreal, appears on later issues of the \$5 and \$20 notes dated 1880. The date of the issue was originally October 1, 1872, and was subsequently changed to October 1, 1880. The face of the issue is printed in black, with an underlying tint of green, and the back is printed in green. The shade of the green varies in individual notes and in some of the later fives bearing the imprint, "British American Bank Note Company," the medallions containing the denomination on the upper half of the face are smaller in size and of a different shape to those on earlier notes, while the green panel underlying the lower half of the note, which in earlier impressions is composed of fine curved lines, is replaced by a tint, covering a smaller space, and composed entirely of

repetitions of the numeral 5 in Roman and Arabic forms alternately with the word "Five," in green, underlying the words "Five Dollars," in black.

The next issue of the Halifax Banking Company was engraved by the Canada Bank Note Company, Montreal. In addition to the view of Halifax from the sea which appeared on the first \$20 note, these notes bear the arms of the city, and the engraved signature of Robie Uniacke, president of the company. The design and the lettering on the face are in all the denominations printed in black over an underlying tint, and the design on the back is printed in colour, the respective colours and dates being as follows:

	Date		Colour
Fives—	January 1, 1887,	Nos. 1-2,500,	Face, green; back, green.
	—January 1, 1887,	Nos. 2501-7500.	Face, red; back, brown.
	—January 1, 1894,	Nos. 7501-27500.	Face, blue; back, blue.
Tens—	July 2, 1890,	.....	Face, green; back, green.
Twenties—	July 2, 1890,	.....	Face, green; back, green.

The fives of January 1, 1894, bear the imprint of the British American Bank Note Company, Montreal, which had taken over the business of the Canada Bank Note Company.

In 1896 and 1898 the third and last issue of the incorporated bank was made. It was engraved by the British American Bank Note Company, Ottawa, and bears the portrait of the president of the bank, Mr. Robie Uniacke, at the right-hand side of each note. The issue was composed of \$5, \$10 and \$20 notes, the fives being dated July 2, 1896, and the tens and twenties, July 1, 1898. This issue is numbered in blue, all previous ones having been numbered in red. As usual, the design and lettering on the face are in black over different tints, and the design on the back is invariably printed in green. The colours on the faces of the notes are as follows:

Fives	—A green tint, about 1 inch wide over the lower part of the note.
Tens	—Green.
Twenties	—Yellow.

B.—THE MERCHANTS BANK OF PRINCE EDWARD ISLAND.

At a meeting held April 19, 1871, of the provisional committee appointed to "set in operation" the Merchants Bank of Prince Edward Island, a sub-committee was appointed to gather information as to "the best company to print the bank-notes," and at a subsequent meeting held May 18, 1871, two tenders for bank-notes were received, and the offer of "Mr. Burland, representing the British American Bank Note Company of Canada," was accepted. The designs were selected at this meeting and the denominations decided on were \$1, \$2, \$5, \$10 and \$20.

The notes were printed in black on white paper and numbered in blue, and a green tint appears on the face. In the ones and twos this is formed by words and figures representing the respective denominations, and in the fives by a panel of lathework through which the word "five" appears in white. In the tens the word "ten" in a green tint appears in the lower centre of the note on a green panel formed by repetitions of the word "ten" in fine lettering. The portrait of the late King Edward VII as Prince of Wales occupies the lower right hand corner of this note. In the twenties the denomination is shown in Roman numerals in green on each side of the portrait of Queen Victoria. In all cases both signatures are affixed by hand, and in early specimens the date is written, while in later ones it is engraved and changed from time to time. The backs are printed in green, with the name of the bank and the denomination appearing in white on the background.

As the decimal currency had not come into operation in the Province of Prince Edward Island when the bank was first opened for business, it was decided at a meeting of the Board held on November 2, 1871, that in the meantime the notes would be redeemed by the bank at the rate of 6s. 2d. for each dollar.

Although Prince Edward Island entered Confederation on

July 1, 1873, it was not until July 1, 1881, that the currency of the Dominion of Canada was established by law in the province, by the provisions of chapter iv, 44 Victoria, 1881. Accordingly one five dollar note of the bank dated September 1, 1877, and now in possession of The Canadian Bank of Commerce, is crossed in red, "Canada Currency." As debts or obligations contracted before July 1, 1881, were payable at an equivalent in the new currency, this crossing was no doubt used during the period of transition to distinguish notes issued in the new currency from the old ones.

C.—THE GORE BANK.

The Gore Bank made only one issue of notes, the denominations being as follows: \$1, or 5 shillings, \$2, or 10 shillings, \$4, or 20 shillings and \$10, or £2 10s. The notes were engraved by the New England Bank Note Company of Boston, and were printed in black on white paper, the backs being quite plain. An engraving of the court-house of Wentworth county in Hamilton, as it appeared before the wings were constructed, occupies the upper centre of the \$1 note. In the case of the earlier notes, the numbers, the date and the name of the person to whom the note was made payable were written, but in later ones these particulars were engraved or printed. The dates were apparently changed very frequently, and both signatures were written.

During the later years of the bank's existence a very good counterfeit of the \$4 note appeared and gained a wide circulation. It may be distinguished from a genuine note by the inferior quality of the engraving, and by the style of the type used in the numbering, which has a broader face than that of the genuine notes. In some specimens of the counterfeit the signatures of A. Steven, president, and William G. Crawford, cashier, are engraved; in others, presumably the later ones, the signatures are written forgeries. The counterfeit is, however, so excellent that it is difficult for anyone, save an expert, to detect it.

In the possession of the well-known collector, Mr. R. W. McLachlan, of Westmount, P.Q., are two notes purporting to be issued by the "Gore Bank of Hamilton," one being for \$20 and the other for \$50. The title of the bank is incorrect and as no such notes were ever issued by the Gore Bank, it is probable that they represent designs prepared by some bank-note company in the hope of obtaining an order.

D.—THE BANK OF BRITISH COLUMBIA.

The first question in regard to note issues which came before the directors of the Bank of British Columbia for decision appears to have been whether the notes should be issued in pounds sterling or in dollars. The matter was discussed at a meeting of the Court on April 29, 1862, and referred to a committee of two of its members. Somewhat later, on May 15, the standing committee reported in favour of the issue of notes for \$5, \$20, \$50 and \$100, and the books show that this recommendation was adopted by the Court. The order for this first issue was given to Messrs. Rixon and Arnold. The notes are larger than those in general use on this continent, resembling those of the Bank of England in size and shape. Of the specimens illustrated, three are part of a parcel of twelve specimen notes of the \$5, \$20 and \$50 denominations sent to the Government of British Columbia on December 31, 1866. They are all part of the first order of bank-notes received on November 28, 1862, and are $4\frac{7}{8}$ inches wide by $8\frac{1}{4}$ inches long. The paper on which they were printed was hand-made, in sheets $4\frac{7}{8}$ inches wide by $16\frac{1}{2}$ inches long, water-marked "The Chartered Bank of British Columbia and Vancouver's Island," the name originally chosen for the bank. In later issues the watermark was changed to "Bank of British Columbia," as shown by a sheet of the paper in possession of the bank. This watermark is reversed on the two halves of the sheet so that all the notes when printed showed a trimmed edge only at the left-hand end. It is to be remarked that no \$100 notes were included in the specimens referred to above

as having been sent to the Government of British Columbia. The first and only order for this denomination consisted of 200 notes and it was decided on December 17, 1862, to withdraw them and issue \$1 notes instead. The bank's records show that every one of the 200 notes has been redeemed and cancelled, so that none are now in existence. The last one was destroyed on February 15, 1873. The Canadian Bank of Commerce, however, holds some impressions struck from the plate, one being on the paper wrapper in which the plate was kept. This impression is printed in red, but whether or not this was the correct colour can only be surmised. The objection to \$100 notes, and indeed to all notes of large denominations, was that they were likely to be used by the public as a means of remittance, greatly to the injury of exchange operations between branches. This objection was not considered valid by Mr. W. C. Ward, who was in charge of the Victoria branch, as he found that in the absence of large notes small ones were used for the same purpose. The Court of Directors was, however, very anxious to push the circulation of \$1 notes, which met with some opposition at first, as the general public, especially in the mining districts, were not accustomed to notes of such small denominations and objected to accepting them. However, it was held that this opposition would soon die down, as they would obviate the necessity for carrying about large quantities of bulky and weighty silver. The colours of the other notes of this issue are as follows: \$5 black, \$20 French grey, \$50 blue. The serial numbers on the fives are printed in black, on the twenties in purple and on the fifties in blue. The notes are dated by hand and the backs are plain. There are some unsigned and unnumbered impressions of these early notes in the possession of the bank which are printed in other colours than those just mentioned, among them being some fives in blue and purple. The name of the bank (in fact all the wording on the note except "Queen Victoria" in the upper left-hand medallion) and the underlying panels are in blue, while the two medallions in the upper corners

of the note and the pictorial part of the design, comprising the allegorical figures below the name of the bank and the designs at each end of the centre panel, are in purple. In another specimen the body of the note is coloured similarly to the one above described, but the two medallions in the upper corners are in blue. Whether notes in these colours were actually issued cannot now be determined, but judging by the following extract from a letter from London to the Victoria manager, dated December 11, 1863, there can be little doubt that they were only specimens: "On September 1, 20,000 \$5 notes were sent out to you rather smaller in size than the previous \$5 notes and of two colours. These cannot be photographed. There is no doubt that the \$1 notes are the right size and all notes sent you in the future will be of that size." We may also conclude that all notes of the first issue were of one colour throughout, and that the change to notes of two colours was made as a protection against forgery. It is to be noted that, although the line, "Incorporated by Royal Charter, 1862," on a panel with the allegorical design above it and the panel underlying the centre of the note, which form the tint plate in later issues, are repeated in each denomination, a separate plate containing the whole design has been engraved in each case.

On December 17, 1862, as has been said, the Court decided to issue \$1 notes and to withdraw the \$100 notes from circulation. Complaints had been made as to the large size of the first notes and the thick paper on which they were printed, and it was evidently deemed advisable to adopt a size more nearly resembling that which was customary on this continent. In January, 1863, tenders were submitted for the new notes and that of William Brown and Company, London, was accepted. These notes formed part of what is really a second issue, consisting of ones, fives, tens, twenties and fifties, all engraved by William Brown and Company. They were, however, numbered consecutively with the notes of the first issue, and as no description is given in the note register and nothing appears to mark the transition from the first to the second issue, it is

impossible to say positively just when the change took place. It is almost certain, however, from such evidence as does exist, that only one order was placed with Messrs. Rixon and Arnold for the notes of the first issue, and that subsequent supplies were obtained from Messrs. William Brown and Company.

The notes of this second issue were smaller in size than those of the first, being about the same width as the bank-note of the present day, but from half an inch to an inch longer. The only specimens known to exist are ones and fives. Black and white impressions of the other denominations and all the plates are in the possession of The Canadian Bank of Commerce. These show that the designs were very similar to those of the first issue, and that except in the case of the ones, the only difference between the various denominations, apart from the necessary change in wording, lay in the medallions in the upper corners of the notes. In the case of the ones, the name of the bank is engraved in a fancy Roman lettering on a curved scroll, very nearly resembling that used in the first issue. In the other denominations an old English script is used for the name, which is surrounded by flourishes at each end. The central panel which forms the background for the main wording of the notes, and which in the first issue was composed of the denomination repeated in a very fine type in words and figures alternately, is in the second composed of the name of the bank. This panel, with the pictorial design at each end, the smaller panel containing the phrase, "Incorporated by Royal Charter, 1862," above, and the allegorical figures and design which occupied the space between the panels and the name of the bank, form, in this second issue, a tint plate which appears to have been used for each denomination without change, and to have been the only part of the note printed in colour. In the ones and fives extant the lettering and medallions which form the special design of each denomination are printed in black over the tint plate. The colour of the tint plate is blue in the ones and green in the fives. The

colouring of the other denominations is unknown. The backs of the ones are plain. The fives are printed on pink paper and have a green design or monogram on the lower half of the back, $\frac{7}{8}$ inch wide and 4 inches long, consisting of the name of the bank in a fancy lettering. In the middle of this monogram the word "Five" appears outlined on the pink background. From a pencilled memorandum in the note register it appears that in 1875, some \$5, \$20 and \$50 notes were issued on pink and buff paper, but the \$5 notes above referred to show that pink paper was in use at a much earlier date, and it is thus evident that all changes in this issue were not recorded in the books of the bank. Some of the early correspondence shows that the quality of the paper on which the first \$1 notes were printed did not give satisfaction, and it was reported to the Court that the notes of the Bank of British North America were given the preference on this account. The Victoria manager recommended trying "superior and more durable paper" for the \$1 notes, so that it is probable that considerable experimenting was done in the effort to obtain something that would give good satisfaction. In all the notes of this issue except the ones, as far as is known, the date is engraved instead of being written as in the first issue. The dates appear to have been changed from time to time.

The third issue of the Bank of British Columbia was brought out in 1879, and is dated June 1 of that year. It was the last issue made in England and, like the previous one, was engraved by William Brown and Company. The denominations were \$5, \$10, \$20, \$50 and \$100, and the portrait of Queen Victoria in a medallion again appears in the upper centre. The faces of the notes were printed in black on white paper, the denomination appearing in green in the lower centre and the serial number being in black. The design of the backs is in green and, save for the figures representing the denomination, is the same throughout the issue. The serial number of each note is repeated in large black skeleton figures about two inches high over the green design on

the back. It appears that the plates of the \$20 and \$50 notes of this issue were destroyed by a fire which occurred in the premises of the engravers, and that new plates were afterwards engraved. The new plates may easily be distinguished from the old by the difference in the shape of the medallions in the upper right-hand corners.

The fourth and last issue of the Bank of British Columbia was engraved by the American Bank Note Company, New York, and is dated January 1, 1894. The denominations are \$5, \$10, \$20 and \$50, the designs and colouring differing widely. The wording of the notes and that part of the face design which forms the borders, including the lathe-work medallions containing the denominations, are printed in black. The serial numbering on the face is in red. The colours are as follows:

- Fives —Face. A green tint of lathe-work in which the denomination appears in Roman figures over a plain tint of pale yellow. Back, green.
- Tens —Face. A blue tint, forming rays in the upper portion of the note, and the word "Ten" on each side of the centre, also forming a panel under the signatures, overlying a plain tint of pale yellow. Back, blue.
- Twenties—Face. A red tint of lines and lathe-work, also forming a panel underneath the signatures, over a plain tint of pale yellow. Back, dark brown.
- Fifties —Face. A red tint similar to that in the \$20 note, but deeper in colour, over a plain tint of pale yellow. Back, brick-red.

The designs of the backs of all these notes consist of a deep tinted border of lathe-work through which the name of the bank and the denomination appear on the white background. In the centre of the note the tint is formed by the repetition of the name of the bank in fine lettering in various patterns, through which the denomination again appears. Over this tint the serial number of the note is repeated in large figures in dark red.

E.—THE EASTERN TOWNSHIPS BANK.

The first issue of the Eastern Townships Bank consisted of notes for \$1, \$2, \$5, \$10 and \$20 and was engraved by the American Bank Note Company. The earliest notes were

dated and signed by hand, but in later ones the date, August 1, 1859, and the signature of the president, B. Pomroy, were engraved. The serial numbers were printed in blue. Early in 1861, a \$4 note, bearing the date February 1, 1861, was added to the issue. The \$1 note bears the portrait of Queen Victoria and a view of the falls of the River Magog at Sherbrooke; the \$2 note, the portraits of Queen Victoria and of Prince Albert, and the \$4 note, those of the Prince of Wales (afterwards King Edward VII) and of Colonel Benjamin Pomroy, president of the bank. As in most of the note issues of this period, the face, with the exception of the engraved parts, is covered with a green tint formed by fine engraved lines through which the denomination appears in white in either letters or figures. On the back of the notes the denomination is printed in words in red, the letters being about five-eighths of an inch high.

In 1873, a new issue was brought out, prepared by the British American Bank Note Company. As the power to issue notes for \$1 and \$2 had by this time been taken away from the banks, the new notes were for \$4, \$5, \$10, \$50 and \$100. The \$4 note has as its central feature the view of the falls of the River Magog which appeared in the \$1 note of the first issue, and in the lower right corner the portrait of Colonel B. Pomroy, the president. The \$5 notes bear the portrait of William Farwell. In the \$10, \$50 and \$100 notes both portraits appear, that of Mr. Farwell on the left and that of Colonel Pomroy on the right. The earliest imprints of these notes are dated July 1, 1873. In 1874, Mr. R. W. Heneker became president, and his signature took the place of that of Colonel Pomroy. In 1879, Mr. Heneker's portrait was substituted for that of Colonel Pomroy in the \$4 and \$10 notes. In 1893, a \$20 note was added to the issue. Its design is somewhat different in style to those of the other notes. It bears the portrait of Mr. R. W. Heneker in the lower right corner and is dated January 2, 1893. Later on in 1902, when Mr. Heneker retired and was succeeded as president by Mr.

William Farwell, the latter's signature replaced that of Mr. Heneker as president in the \$5 note and the date was changed to July 2, 1902, but no change appears to have been made in the other denominations. The dates of all notes of this issue were engraved, but changes were made from time to time, though usually only in the year, the month and day remaining the same. The serial number is printed in blue. The notes are printed in black on white paper with the usual green "Canada Bank Note Printing Tint," characteristic of the work of the British American Bank Note Company, on the lower half of the face. In the \$4 note this tint is composed of the figure "4" on each side of the note and of a panel of green lathe-work through which the denomination appears in white; in the fives and tens a similar panel contains the word "five," or "ten," on a background formed of the same word and the corresponding numeral, constantly repeated. In the fifties and hundreds the denomination is in green letters on the white background. The \$20 note has in olive-green a panel underlying the signatures and an engraved device above in the centre of the note. The backs of all notes of this issue are green and of the same design, except in the case of the twenties, the central feature of the design being an engraving of a smithy, with the smith shoeing a white horse, appearing inside a frame of lathe-work. The words "Eastern Townships Bank, Sherbrooke, P.Q." and the denomination also appear, outlined on the white background. The back of the \$20 note is green, and contains in the centre the name, "Eastern Townships Bank," in a circle surrounding a bull's head, and at each end of the note a curved panel containing the word "twenty."

The notes issued after the signature and portrait of Mr. Heneker were substituted for those of Colonel Pomroy are sometimes spoken of as a third issue, but it seems more correct to consider them merely as variations of the second issue, as the plates used were the same and the numbering was consecutive.

In 1906, the third and last issue of this bank was brought out. It consisted of \$5 and \$10 notes, engraved by the

American Bank Note Company. The portrait of James Mackinnon, general manager of the bank, appears on the \$5 note and that of William Farwell, the president, on the \$10 note. The notes were printed in black on white paper. The face of the five, with the exception of the engraved design, is covered by a yellow tint. A red tint overlies the lower half of the note containing the words "Five Dollars," and also surrounds the name of the bank on the upper half. In the \$10 note the tints are red and green, the green underlying the red in the lower portion of the note and alternating with the red in a ray design in the upper portion. The backs of both notes are similar and consist principally of geometrical lathe-work designs in olive-green, with red and violet in the five and blue and red in the ten, overlying a pale yellow tint. The denomination and name of the bank appear outlined in the underlying yellow tint, while the centre medallion contains the arms of the bank. The serial number is printed in red.

It is worthy of remark that from 1906, when the last issue of fives and tens was brought out, up to the time of the amalgamation in 1912, no new notes of higher denominations were printed, and only 2,000 large notes, half fifties and half hundreds, the balance of an older order, were added to the circulation.

APPENDIX XIII.

LIST OF OFFICES OF THE VARIOUS BANKS AT THE DATE OF AMALGAMATION.

A.—THE HALIFAX BANKING COMPANY.

Amherst	Lockeport	Sackville
Antigonish	Lunenburg	Shelburne
Barrington	Middleton	Springhill
Bridgewater	New Glasgow	Truro
Canning	Parrsboro	Windsor, N.S.
Halifax	St. John, N.B.	

B.—THE MERCHANTS BANK OF PRINCE EDWARD ISLAND.

Alberton	Montague	Summerside
Charlottetown	Souris	Sydney, C.B.

C.—THE GORE BANK.

Hamilton

The branches at Guelph, London and Paris were closed in 1868.

The branches at Galt, Simcoe and Woodstock were transferred to The Canadian Bank of Commerce early in 1869.

D.—THE BANK OF BRITISH COLUMBIA.

Kamloops	New Westminster	San Francisco, Cal.
London, Eng.	Portland, Ore.	Vancouver
Nanaimo	Rossland	Victoria
Nelson	Sandon	

E.—THE EASTERN TOWNSHIPS BANK.

Acton Vale	Coaticook	Frelighsburg
Ayer's Cliff	Coleman, Alta.	Granby
Bedford	Cookshire	Grand Forks, B.C.
Beebe	Cowansville	Hemmingford
Beloeil Station	Danville	Huntingdon
Bishop's Crossing	Eastman	Joliette
Black Lake	Farnham	Knowlton

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E.—THE EASTERN TOWNSHIPS BANK—Continued.

Lethbridge, Alta.	Princeton, B.C.	Sherbrooke (Wellington St.)
Lennoxville	Richmond	Summerland, B.C.
Magog	Rimouski	Sutton
Mansonville	Rock Island	Taber, Alta.
Marbleton	St. Felix de Valois	Thetford Mines
Marieville	St. Ferdinand de Halifax	Valcourt
Megantic	St. Gabriel de Brandon	Vancouver, B.C.
Montreal (Centre)	St. George, Beauce	Vancouver, B.C. (Kitsilano)
Montreal (East)	St. Hyacinthe	Victoria, B.C.
Montreal (West)	St. Johns	Waterloo, Que.
North Hatley	St. Joseph de Beauce	Waterville
Ormstown	St. Remi	West Shefford
Phoenix, B.C.	Scotstown	Windsor Mills
Pointe aux Trembles	Sherbrooke	Winnipeg, Man.

SUB-AGENCIES.

Asbestos	Henryville	St. Constant
Beloeil	Howick	Ste. Elizabeth
Bic	Iberville	St. Philippe de la Prairie
Brome	Keremeos, B.C.	St. Sebastien
Bromptonville	Lacolle	Sherbrooke (Upper Town)
Chambly Basin	Lawrenceville	Stanbridge East
Clarenceville	Midway, B.C.	Stanstead
Dixville	Naramata, B.C.	Sweetsburg
Dunham	Philipsburg	Thetford Mines West
East Angus	Roxton Falls	Upton
East Hatley	St. Armand Station	Weedon
Foster	St. Chrysostome	

APPENDIX XIV.

STATISTICS.

A.—THE HALIFAX BANKING COMPANY.

Year	Capital Paid-Up	Reserve Fund	Dividend %	Deposits	Circulation	Loans	Total Assets
1873	\$300,000	\$ 20,000	7½	\$ 286,439	\$143,040	\$ 715,957	\$ 809,897
1874	.....	.....	.....	.....	.....	.....	.....
1875	.....	.....	.....	.....	.....	.....	.....
1876	.....	.....	.....	.....	.....	.....	.....
1877	.....	.....	6	.....	.....	.....	.....
1878	.....	.....	6½	.....	.....	.....	.....
1879	500,000	45,000	6	302,221	111,230	818,295	978,944
1880	.....	.....	.....	.....	.....	.....	.....
1881	.....	.....	5½	.....	.....	.....	.....
1882	500,000	30,000	5½	368,568	178,554	926,566	1,099,189
1883	500,000	35,000	6	641,318	384,960	1,317,686	1,586,450
1884	500,000	50,000	6	840,537	378,610	1,579,004	1,864,827
1885	500,000	50,000	6	1,038,143	355,312	1,745,912	2,034,103
1886	500,000	70,000	6	1,355,130	419,893	2,131,497	2,432,003
1887	500,000	100,000	6	1,427,070	491,965	2,117,457	2,554,054
1888	500,000	100,000	6	1,691,387	480,759	2,232,140	2,813,770
1889	500,000	130,000	6	1,686,997	468,735	2,680,871	3,040,742
1890	500,000	170,000	6	1,864,297	489,370	2,729,483	3,079,468
1891	500,000	210,000	6	1,963,206	463,523	2,972,449	3,262,023
1892	500,000	210,000	6	2,013,746	450,812	2,734,776	3,253,235
1893	500,000	250,000	6	2,032,757	455,465	2,781,908	3,297,082
1894	500,000	275,000	6½	2,249,414	456,866	2,840,822	3,598,952
1895	500,000	300,000	7	2,540,652	442,733	3,059,015	3,988,341
1896	500,000	325,000	7	2,597,844	430,714	3,088,073	4,082,580
1897	500,000	350,000	7	2,875,987	452,055	3,315,577	4,263,377
1898	500,000	375,000	7	2,803,284	471,952	3,392,564	4,322,156
1899	500,000	400,000	7	3,180,943	467,751	3,519,428	4,610,603
1900	600,000	475,000	7	3,470,352	563,301	3,856,944	5,263,278
1901	600,000	500,000	7	3,795,267	564,221	4,167,889	5,782,295
1902	600,000	525,000	7	3,932,532	560,476	4,185,480	6,025,479

B.—THE MERCHANTS BANK OF PRINCE EDWARD ISLAND.

Year	Capital Paid-Up	Reserve Fund	Dividend %	Deposits	Circulation	Loans	Total Assets
1872			8				
1873	\$ 74,790	Nil	10	\$ 54,024	\$ 99,636	\$ 122,452	\$ 240,546
1874	96,883	Nil	10	258,561	150,493	256,477	521,694
1875	97,333	Nil	¹ 10 + 10	229,937	245,445	351,001	599,385
1876	146,000	\$ 15,000	10	262,211	201,076	421,191	642,454
1877	146,000	30,000	10	295,923	237,098	² 481,104	721,716
1878	146,000	40,000	5	246,558	203,136	² 535,045	649,434
1879	146,000	40,000	Nil	² 52,764	70,881	347,529	464,575
1880	146,000	Nil	Nil	² 72,525	64,574	215,079	509,034
1881	146,000	Nil	Nil	100,240	86,262	204,648	337,239
1882	146,000	Nil	Nil	158,937	154,352	² 286,929	459,866
1883	146,000	Nil	Nil	68,980	91,838	² 186,752	307,022
1884	146,000	Nil	3	78,078	83,109	² 167,242	307,311
1885	146,000	Nil	6½	95,747	125,147	264,969	374,851
1886	146,000	Nil	7	69,660	125,980	224,505	351,176
1887	146,000	10,000	8	77,778	124,595	277,118	364,956
1888	146,000	10,000	8	87,669	131,586	261,691	382,613
1889	146,000	20,000	8	109,057	135,432	290,425	426,274
1890	146,000	20,000	8	98,824	127,780	272,606	414,638
1891	146,000	30,000	8	116,017	145,623	334,069	454,932
1892	146,000	40,000	8	113,970	133,163	334,697	436,210
1892 ⁴	196,454	40,000	8	126,934	116,802	316,218	492,244
1893	198,722	40,000	8	113,145	120,074	392,806	487,080
1894	200,020	40,000	8	116,731	86,544	394,552	458,744
1895	200,020	40,000	8	103,638	89,010	370,477	450,292
1896	200,020	50,000	8	125,043	92,772	380,717	484,534
1897	200,020	55,000	8	203,340	114,356	476,518	587,849
1898	200,020	65,000	8	296,445	125,718	622,093	712,891
1899	200,020	80,000	8	383,848	182,701	756,612	864,350
1900	200,020	100,000	8	854,087	130,373	1,208,525	1,374,736
1901	300,014	175,000	8	873,655	266,551	1,390,482	1,641,308
1902	300,014	205,000	8	972,986	278,682	1,520,931	1,787,756
1903	343,782	266,000	8	1,127,316	304,756	1,774,979	2,073,695
1904	344,073	296,000	8	1,112,302	291,908	1,711,152	2,074,255
1905	350,400	331,000	8	1,014,091	310,702	1,699,665	2,036,272

¹In addition to the regular dividends of 10% and a bonus of 10% paid in March the stockholders received during the year a dividend of \$6.05 per share out of premium realized on the sale of new stock.

²Excluding special deposits made by stockholders to tide the bank over its difficulties.

³Includes mortgages and other assets.

⁴In 1892 the end of the bank's financial year was changed from the last day of February to the last day of December. On account of the long interval elapsing between the two dates, the figures for both of them are given for the year 1892.

C.—THE GORE BANK.

Year	Capital Paid-Up	Reserve Fund	Dividend %	Deposits	Circulation	¹ Loans	Total Assets
1836	£ 61,005			£ 6,241	£ 27,913	£ 68,504	£ 96,212
1837	80,381		6	8,379	34,246	105,993	129,493
1838	89,146		6	² 57,890	18,135	89,169	178,441
1839	100,000		6	7,968	43,499	97,280	158,158
1840	100,000		8				
1841	100,000		8	14,481	77,117	165,236	217,808
1842	100,000		8	21,332	74,997	147,796	217,017
1843	100,000		8	15,008	74,246	156,819	205,140
1844	100,000		8				
1845	100,000		7	24,507	88,816	170,932	224,140
1846	100,000		7	37,896	82,715	196,585	240,565
1847	100,000		7	41,375	87,141	194,484	240,057
1848	100,000		7	19,506	68,045	141,487	212,526
1849	100,000		7	31,158	66,353	169,093	217,557
1850	80,000		Nil	38,271	107,678	193,634	233,960
1851	80,000		3½	34,809	133,184	226,665	262,698
1852	80,000		7	43,848	120,795	191,955	262,838
1853	80,000		7		164,119		
1854	111,698	£ 18,594	7	117,814	266,491	380,483	514,637
1855	117,310		8		255,203		
1856	125,402	44,468	6	127,426	215,432	351,544	512,734
1857	200,000		7				
1858	\$800,000	\$161,139	7 ?	\$246,827	\$381,555	\$1,337,591	\$1,580,629
1859			6 ?				
1860	800,000		6 ?	528,316	615,564	1,550,191	2,078,604
1861	800,000	100,000	6 ?	600,741	667,967	1,145,929	2,204,858
1862	800,000	100,000	8	548,791	652,766	1,560,249	2,219,044
1863	800,000	75,000	7	580,782	471,750	1,481,534	2,076,369
1864	800,000	75,000	7	638,817	424,877	1,378,141	2,036,263
1865	805,960	75,000	7	719,232	451,318	1,418,953	2,139,535
1866	809,280	75,000	7	1,088,426	660,127	1,576,604	2,741,062
1867	809,280	75,000	7	1,067,578	550,333	1,684,823	2,608,000
1868	809,280	75,000	3½	304,444	211,810	829,188	1,454,565
1869	485,568	Nil.	Nil.	103,959	107,729	370,286	730,162

¹Prior to 1860 all debts due to the bank except bank balances were usually classed together and appear here under the heading of "Loans."

²Including the sum of £47,000 shown as owing to the Commissioners appointed to macadamize the roads from Hamilton to Brantford and from Dundas to Waterloo. (See page 183.)

The sources for the statements of the Gore Bank prior to 1863 are usually the Journals of the Legislative Assembly, the appendices to which as a rule published the statements of the various banks, submitted under their charters, or in compliance with general statutes. The dates vary, and in some years the Gore Bank does not appear to have made any returns, nor are those made always uniform in arrangement and classification of items. A large part of the bank's own records were destroyed by dampness, and are unavailable to check the information here given.

D.—THE BANK OF BRITISH COLUMBIA.

Year	Capital Paid-Up	Reserve Fund	Dividend %	¹ Deposits	¹ Circulation	¹ Loans	Total Assets
1863	£125,000	.....	5	£ 81,963	.....	£ 157,153	£ 216,144
1864	187,500	£ 6,000	6½	210,194	.....	351,766	422,374
1865	250,000	39,198	10	261,907	.....	394,538	568,302
1866	298,000	20,000	8 + 1¼	170,630	.....	394,242	494,417
1867	298,000	20,000	2	162,511	.....	346,642	491,000
1868	298,000	Nil	1¼	307,061	.....	433,100	614,619
1869	298,000	Nil	3½	217,277	.....	405,838	527,859
1870	298,000	Nil	5	235,029	.....	443,224	552,574
1871	298,000	Nil	5 + ½	346,963	.....	530,161	660,909
1872	298,000	8,000	6	591,063	.....	810,839	915,792
1873	298,000	16,000	8	401,366	.....	608,930	733,259
1874	298,000	23,400	8	575,157	.....	755,373	911,633
1875	346,000	27,000	8	543,723	.....	732,031	935,725
1876	346,000	32,500	8	474,438	.....	697,842	868,702
1877	346,000	35,000	7	528,990	.....	812,746	926,747
1878	346,000	38,000	7	280,452	£ 47,877	656,121	947,224
1879	346,000	38,000	6	308,149	48,175	764,214	1,002,153
1880	346,000	38,000	5	317,394	73,669	721,616	970,738
1881	346,000	38,000	5	381,745	95,470	899,685	1,185,180
1882	346,000	40,000	6	452,386	127,514	959,332	1,247,983
1883	346,000	50,000	6 + 1	490,218	153,340	1,056,305	1,378,309
1884	346,000	60,000	6 + 1½	571,839	158,688	1,069,941	1,367,409
1885	360,500	70,000	6 + 2	643,056	122,164	² 1,131,507	1,533,558
1886	375,000	85,000	6 + 2	688,366	161,059	1,148,558	1,486,716
1887	375,000	95,000	6 + 3	772,395	161,327	1,514,762	1,834,934
1888	500,000	105,000	6 + 3½	834,346	150,948	1,888,826	2,261,698
1889	500,000	115,000	6 + 4	1,035,462	174,854	2,280,079	2,624,784
1890	600,000	200,000	6 + 4	1,230,051	212,751	2,733,769	3,208,695
1891	600,000	220,000	6 + 4	1,699,983	219,715	3,208,727	3,679,814
1892	600,000	250,000	6 + 4	1,961,557	174,979	2,784,543	3,532,411
1893	600,000	270,000	6 + 4	1,800,140	182,720	2,775,356	3,521,315
1894	600,000	275,000	6 + 4	1,829,730	166,660	2,429,633	3,239,298
1895	600,000	235,000	5½ + 1	1,772,608	175,903	2,166,485	3,308,733
1896	600,000	100,000	4½	1,508,078	189,867	1,674,338	2,746,115
1897	600,000	100,000	4	1,507,626	204,837	1,911,348	2,969,669
1898	600,000	100,000	5	1,781,032	241,527	2,085,864	3,218,121
1899	600,000	100,000	5	1,731,932	201,952	1,985,399	3,096,731
² 1900	600,000	100,000	5	1,657,533	207,835	2,101,540	3,043,826

¹"Loans" include "Bills Receivable." Up to and including December 31, 1877, the figures given in the column headed "Deposits" include "Deposits, Notes in Circulation, Bills Payable and other Liabilities," and those in the column headed "Loans" include also "Securities."

²"Dominion Notes" are included herein, appearing as "Bills Receivable" in the published figures.

³As at June 30.

E.—THE EASTERN TOWNSHIPS BANK.

Year	Capital Paid-Up	Reserve Fund	Dividend %	Deposits	Circulation	Loans	Total Assets
1860	\$ 133,415	.....	4	\$ 6,548	\$ 135,152	\$ 179,006	\$ 286,270
1861	196,450	.....	7	72,462	173,098	394,968	461,709
1862	228,128	\$ 3,259	8	107,562	88,987	356,790	446,157
1863	240,250	6,000	6	101,670	72,481	314,462	435,379
1864	253,575	10,000	6½	94,900	80,504	357,222	464,383
1865	284,254	15,000	7	103,282	62,882	355,436	490,158
1866	334,081	18,000	7½	115,662	102,466	438,719	602,905
1867	366,035	20,000	8	112,411	88,376	454,972	623,195
1868	400,000	23,000	8	135,027	103,829	496,223	708,361
1869	400,000	30,000	8	158,956	108,163	516,343	743,440
1870	400,000	36,000	8	264,451	294,544	670,333	1,049,339
1871	400,000	47,000	8	343,978	493,569	919,776	1,403,466
1872	567,675	75,000	8	504,009	450,210	1,364,092	1,769,890
1873	742,406	115,000	8	622,632	516,102	1,702,837	2,119,856
1874	959,694	185,000	8+1	866,840	609,768	2,242,386	2,834,107
1875	1,000,000	240,000	9+1	1,190,343	467,403	2,529,769	3,041,029
1876	1,248,270	275,000	8	905,009	399,669	2,552,881	2,976,564
1877	1,330,151	300,000	8	783,308	387,347	2,447,400	2,885,028
1878	1,370,748	300,000	8	997,023	376,114	2,611,673	3,108,418
1879	1,381,568	200,000	7	1,088,523	352,087	2,612,991	3,091,732
1880	1,382,037	200,000	7	1,351,072	496,018	2,305,166	3,607,436
1881	1,386,855	220,000	7	1,559,227	702,634	3,282,897	3,942,455
1882	1,397,659	270,000	7	2,000,746	878,260	3,832,787	4,631,639
1883	1,399,739	350,000	7	2,277,662	855,011	4,238,965	4,998,511
1884	1,449,067	375,000	7	2,286,090	762,900	4,178,424	4,965,959
1885	1,449,488	375,000	7	2,060,370	700,056	3,892,161	4,684,615
1886	1,449,488	375,000	7	1,867,277	694,869	3,856,037	4,493,828
1887	1,456,136	425,000	7	2,005,051	722,137	3,840,205	4,751,428
1888	1,468,284	450,000	7	2,152,229	852,089	4,101,168	5,023,267
1889	1,485,881	500,000	7	2,357,304	770,641	4,352,753	5,214,472
1890	1,487,102	550,000	7	2,269,321	782,204	4,383,558	5,200,516
1891	1,487,582	600,000	7	2,494,851	796,204	4,535,661	5,459,488
1892	1,487,582	625,000	7	2,483,823	739,327	4,462,643	5,433,795
1893	1,499,815	650,000	7	2,758,464	802,216	4,749,038	5,826,978
1894	1,499,905	680,000	7	2,791,162	723,110	4,743,586	5,821,317
1895	1,499,905	720,000	7	3,047,753	757,634	5,221,784	6,200,637
1896	1,500,000	750,000	7	3,467,813	874,046	5,448,728	6,676,768
1897	1,500,000	785,000	7+1	3,970,564	938,975	5,941,340	7,291,937
1898	1,500,000	835,000	7+½	4,384,005	895,924	6,357,969	7,742,676
1899	1,500,000	850,000	7	4,855,173	924,012	6,887,729	8,298,245
1900	1,500,000	900,000	7+1	5,181,451	1,147,707	7,184,753	8,900,006
1901	1,733,945	1,050,000	7+1	5,843,751	1,224,100	7,531,697	10,009,493
1902	1,955,225	1,200,000	7+1	6,830,214	1,353,734	9,289,891	11,511,057
1903	2,426,780	1,450,000	7½+½	8,578,049	2,021,495	11,620,518	14,636,509
1904	2,472,340	1,500,000	8	9,821,026	2,237,835	11,369,890	16,198,220
1905	2,500,000	1,600,000	8	11,910,860	2,068,885	13,117,449	18,242,603
1906	2,932,790	1,860,000	10	12,688,710	2,582,015	15,301,179	20,309,690
1907	3,000,000	2,000,000	8	13,317,482	2,618,856	15,970,135	21,333,449
1908	3,000,000	2,000,000	8	13,625,404	2,667,665	15,076,663	21,726,119
1909	3,000,000	2,100,000	8	15,427,586	2,724,766	17,266,504	23,731,278
1910	3,000,000	2,250,000	8	16,892,013	2,896,335	19,898,129	25,397,011
1911	3,000,000	2,400,000	8	19,509,998	3,109,950	21,303,921	28,471,037

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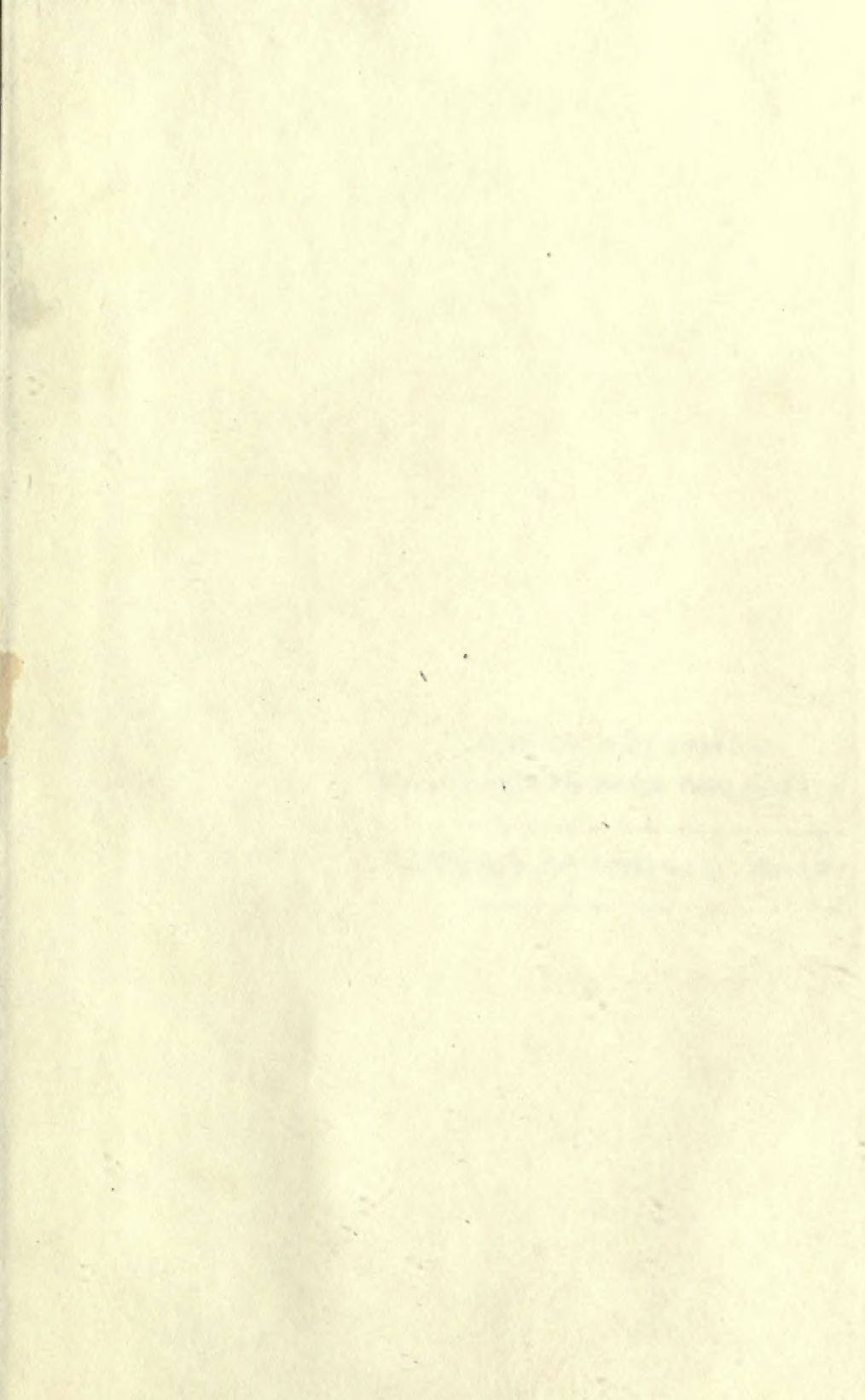
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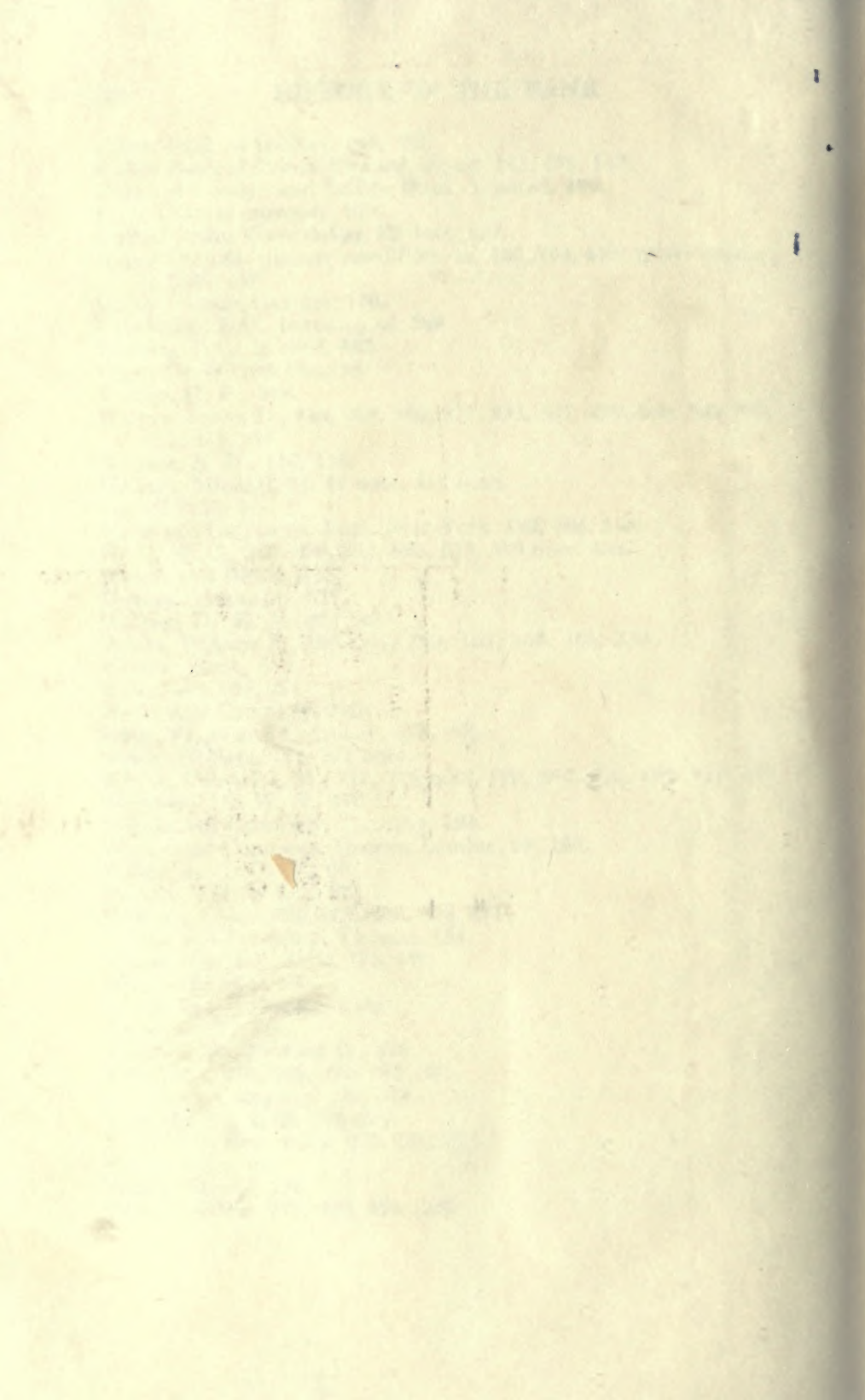
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